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ABSTRACT

The hearings before the subcommittee on education of the Committee on Labor and Public Welfare, U.S. Senate on Federal Student Assistance Programs are reported with statements by various witnesses. Additional material includes articles concerning comparative information on family income for educational needs and an analysis of the Basic Educational Opportunity Grant contribution formula. Communications to the chairman from various concerned parties and tables of the comparative treatment of social security benefits and of the Basic Educational Opportunity Grant program are presented. (MJM)

FEDERAL STUDENT ASSISTANCE PROGRAMS, 1973

HE

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON

FEDERAL STUDENT ASSISTANCE PROGRAMS

FEBRUARY 22, 1973

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THURSDAY, FEBRUARY 22, 1973

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to notice, in room 4232, Dirksen Senate Office Building, at 10:10 a.m., Senator Claiborne Pell (chairman of the subcommittee) presiding.

Present: Senators Pell, Mondale, and Dominick.

Committee staff members present: Stephen J. Wexler, counsel; Richard D. Smith, associate counsel; and Roy H. Millenson, minority professional staff member.

Senator PELL. The Subcommittee on Education of the Senate Committee on Labor and Public Welfare will come to order.

Today, we meet to study the family contribution schedule for the basic education opportunity grant program established in Public Law 92–318, which has been submitted by the Office of Education.

I am sure the general implementation of the student assistance programs, both new and old, will be discussed as well.

These hearings are important when one considers the budget figures for education contained in the President's budget. For while the President has requested funds to initiate the basic grant program, there are no funds for those programs on which students are currently relying. Funding in this manner is in direct contravention of the law as written. The conference report contains specific language which requires the funding of the present programs at present levels before the basic grants may be funded.

I, as chairman of the Education Subcommittee, will attempt to insure that the law is implemented as written.

It should also be noted that when we designed the basic grants, they were never looked upon as they only form of Federal student assistance. The program is just what it is called: a basic grant, or floor; and in order to make Federal student assistance meaningful, all the Federal programs must be funded.

We will be primarily concerned here, however, with the family contribution schedule, and the thinking of the administration in this regard. If the administration witnesses would introduce themselves, we would be delighted to hear from them.

STATEMENT OF JOHN R. OTTINA, ACTING COMMISSIONER OF EDUCATION, U.S. OFFICE OF EDUCATION, ACCOMPANIED BY PETER VOIGT, PLANNING OFFICER FOR THE DEPUTY COMMISSIONER OF HIGHER EDUCATION

Mr. OTTINA. Thank you very much, Mr. Chairman.

I am John Ottina, Acting Commissioner of Education; and I have with me Mr. Peter Voigt, standing there, who is our Director of Planning for Higher Education; Miss Judy Pitney from the Office of the Assistant Secretary for Legislation.

Mr. Chairman and members, I am happy to appear before you this morning to discuss our proposed family contribution schedule for the basic educational opportunity grants program.

Submission of this schedule to Congress marks the first step in the complicated process of implementing this program for the 1973-74 academic year. Before we discuss the details of the schedule, and our rationale for some of the decisions we have made in devising it, I would like to trace briefly the provisions and scope of the basic grants program.

The President's March 1970 message on higher education stated as a national goal that "no qualified student who wants to go to college should be barred by lack of money." The basic grants program represents a significant step toward the achievement of that goal.

Let me at this time also, Mr. Chairman, acknowledge your personal contribution and effort and leadership in enactment of this particular program.

The educational amendments of 1972 state that the purpose of the basic grants and other student aid programs is "to assist in making available the benefits of post-secondary education to qualified students in institutions of higher education."

The ultimate aim of the basic grants program is to equalize more nearly the opportunity for post-secondary enrollments for all income levels.

Under the basic grants program, determinations of eligibility for aid and the amount of aid will be made uniformly across the Nation. This contrasts with other OE-administered student aid programs which, because of statutory State allotment formulas and heavy reliance on the independent decisions of institutional financial aid officers, treat individuals differently, although they may have similar needs.

The basic grants program is intended to provide a minimum amount of resources to every eligible student who wishes to attend a post-secondary institution—a floor to be supplemented by other sources of financial aid available to the student.

Eligibility is based on a family contribution schedule, developed by the Office of Education and submitted to Congress, either House of which has the right to disapprove it. The law provides that the amount of the maximum grant for which a student is eligible is the difference between $1,400 and the family contribution.

Other statutory rules also enter into determining the amount of the student's actual award. One of the most important of these limits grants to one-half the cost of attendance. Another takes into account the possibility of insufficient appropriations and reduces grants by percentages stipulated in the statute. It is, however, primarily the method for determining expected family contributions which is before the subcommittee today.

Based on our present planning model and assumptions on a family contribution schedule, an estimated 1½ million students should receive basic grants in the first year of operation.

It is critical to the success of the basic grants program that the schedule of expected family contributions receive early congressional consideration. We are pleased to meet with you today, as early as we are in the year, in order hopefully, to gain consideration and the ability to move ahead.

Once an acceptable schedule is in place, and as soon as appropriations are made for the basic grants program, the Office of Education can issue a payment schedule and proceed to implement the program in the coming academic year. Any significant delay in any one of these steps could severely handicap our ability to make basic grants for the academic year 1973–74. For that reason, I am pleased that the subcommittee so promptly called these hearings.

At this point, I would like to turn to Peter Voigt, Director of Planning for Higher Education, who is in charge of all phases of planning for implementation of the basic grants program. He will present in greater detail the elements of our proposed family contribution schedule, and a brief description of the program's operation. Of course, he and I will be happy to answer any questions you might have at any stage in the presentation.

Mr. Voigt.

Mr. VOIGT. Thank you, Dr. Ottina.

Mr. Chairman, I am happy to be here this morning to talk about the family contribution schedule for the basic grants program.

Just before going into detail on this schedule, I would like briefly to review the way we see the program operating and the timing that we see in the first year of the program's operation.

The first chart roughly illustrates the cycle of the awards and the involvements of all the agencies who are going to be dealing with the basic grants program.

As soon as we have an appropriation for the basic grants program, we will be distributing forms to post offices, high schools, and secondary institutions for students to supply data necessary for the calculation of expected family contribution.

Mr. OTTINA. Excuse me, Mr. Chairman.

I believe there are copies of these charts in your packet there.

[The charts referred to may be found in the files of the subcommittee.]

Mr. VOIGT. Once the student completes the form, he will be submitting it to a contractor or contractors who will be calculating the family contribution. Now, we see a very quick turnaround time on this calculation process. The student will receive multiple copies of his certified family contribution based on the data which he supplied on the form.

As soon as the expected family contribution has been certified, on the multiple copies of the family contribution notification form, the student will then submit this notification to the institution or institutions of his choice. At that point, the institution will have sufficient information to make a preliminary determination of the students award. This information will include the schedule of payments; that is, the schedule which tells the institution that, given a certain family contribution and certain costs, the student's award will be determined to be a specific amount.

At this point of the procedure the student would then receive notification of an initial award. When he enrolls in the fall in the institution, the school would make a final calculation of his award and then would make the payment of the award to him.

As the institution then incurs expenses under the program, as it makes awards to the student, the institution would then bill the Federal Government and would be reimbursed for the expenses incurred in making the award.

As you can see, the schedule for the first year is somewhat critical and is dependent on both the approval of the family contribution schedule and on receiving an appropriation for the program. We are planning to arrange the payment schedule very shortly after we have the appropriation. We are also planning in the very near future to issue at least a major portion of the remaining regulations needed for institutions to calculate students' awards. These will be regulations governing the treatment of cost, governing institutional behavior in making the awards. We expect to have these regulations published in the Federal Register very early in March.

I would like to now turn to the proposed system for determining the sum of the contributions for the basic grants program.

Senator PELL. Let me make sure that I understand what you are saying. As I understand it, the student fills out a form to find out his family contribution, which is furnished to—who? The Office of Education staff? Give me an example.

Mr. VOIGT. Well, we are at this point—this morning, as a matter of fact—issuing a request for proposal, a request for bid——

Senator PELL. A request for bid.

Mr. VOIGT. OK; to various agencies, for the development of a system and the implementation of a system for the calculation of family contributions.

Senator PELL. Do you mean to say that 6 months after the bill was passed, you are only now issuing an invitation to bid?

Mr. VOIGT. Mr. Chairman——

Senator PELL. I correct myself. Eight months after the legislation.

Mr. OTTINA. Mr. Chairman, some of the elements of our development depended upon these family contribution schedules themselves. As a matter of fact, we can't be sure that the contractor can proceed with certainty that each development is indeed the correct one until we have assurances that the family contribution schedules we have proposed are the correct schedules. So we are dependent upon that aspect for successful conclusion at the time.

Senator PELL. I would express my own deep disappointment that 8 months after the bill is passed, you are just now starting to implement the program.

This is your final version that you will be sending up now?

Mr. OTTINA. This is our proposed final version.

Senator PELL. Your final version; yes.

But why could not—I am curious—why have you not sent this out earlier and then we could have had your proposed version at an earlier date?

Mr. OTTINA. Our proposed version was a draft version that we were discussing and were trying to receive the comments from many sectors, including financial aid officers, institutions, members of various organizations, to derive what our program was. It is impossible to develop that system until, as I said earlier, we have a final schedule. So that the RFP in a real sense depends upon the family contribution you get.

Senator PELL. But what I cannot understand is why you have to have the family contribution before you start looking at the procedure. The family contribution can change the amount. The procedures would be the same.

Mr. OTTINA. Well, the basic information that is to be taken into account, in terms of calculating the family contribution itself, is what the contractor needs in order to develop the data processing system to calculate the family contribution.

For example, for some reason, the particular set of items that we are asking the applicant to supply, which are contained in the schedule, might have omitted a particular item. We could invent one together. Then, the system would have to be changed, including the application form, and how to process it to take into account the effect of whatever that particular item was. Until all of the items are known, we cannot guarantee that the system being developed is the correct system.

Senator PELL. In other words, the form—the student fills out a rough form, which generally you have ——

Mr. OTTINA. We do have a copy of that form. That is a draft copy. That form itself depends upon the family contribution schedule.

Senator PELL. This is what the student fills out to start off with.

Mr. OTTINA. That's correct, sir.

Senator PELL. Then he—who does he give that to?

Mr. OTTINA. He mails that to one of the successful bidders, one of the contractors that we were discussing earlier.

The contractor then, using the schedule that has been approved, determines the family contribution. He in turn returns to he applicant a number of similar statements which show the family contribution that is expected in his particular case.

Senator PELL. Why wouldn't it be simpler to skip the contractor and have the student ask the student aid officer of the institution to work on it? And this would greatly please the student aid officers.

Senator OTTINA. The student aid officers do and will have a role in the second step of this process, which is what ——

Senator PELL. I realize that. But my question to you is: Why can't they be sufficient?

Mr. OTTINA. We were attempting, since it is an entitlement program, to define very hard criteria in a uniform administration of the eligibility determination. We were trying therefore to limit the number of people, the number of sources, which would review this very basic calculation, in order to be able to insure that it was indeed uniformly administered and uniformly calculated.

It is a detailed arithmetic computation of which there is no discretion. Therefore, we thought we were placing really an unnecessary burden on student financial aid officers since it is a computational process. It is not a discretionary process at all.

Senator PELL. Why couldn't the Government do it itself?

Mr. OTTINA. Because it would require a staff, and an expense. We felt there were in existence different sectors who had that capability and who could therefore render that service.

Senator PELL. Why not the Office of Education, which from a personnel viewpoint, has gone up about 40 percent in the last few years?

Mr. OTTINA. We did not request personnel for this particular activity in our proposed budget.

Senator PELL. What is your rough estimate as to cost? Twenty-five cents a student, or what would be your estimate?

Mr. OTTINA. Probably somewhere between the range of 75 cents to $1.50 per student, per calculation.

Mr. VOIGT. We are estimating perhaps as many as 3 to 4 million applications being processed; so that we are essentially talking about, for the Office of Education, a very large processing activity.

Senator PELL. All right.

Does the contractor take the form, this thing here, and then he puts somewhere on the piece of paper the amount of money that he thinks the student should contribute.

Mr. OTTINA. He would actually be sending back to the student a different form, not that particular one, which would show to the student who had applied, the amount of family contribution that is expected and therefore the maximum eligibility that he has.

The student would have, let's say, five such copies. He could then send one to the University of Rhode Island, send one to the Community College of Missouri, one to Harvard, and one somewhere else, where the financial aid officer at each of those institutions would make a calcualtion on the amount of the award that the student could receive, based on cost of instruction of that particular institution. This would enable the student then to make a determination on which one of the many institutions available in the United States.

Senator PELL. The student assistance officer could help fill this out, some students I think would find it a rather complicated form.

Mr. OTTINA. We have tried to ask of the student only essential financial information that we thought was available to him. It is information which is typical—financial status information, which we think is essential, and is required in order to compute what the family's contribution can be.

Senator PELL. I can't read the writing where you have assets and liability, something about—the writing is too small. What does it say?

Mr. OTTINA. Mr. Chairman, we have a presentation on that particular element. We have a sample calculation that we would appreciate very much going through and I think each of the items will become clear. Also, we plan to issue an instruction page, which will help.

Senator PELL. At any rate, going on further; we can come back to that.

Then this form is stamped; and then, five copies of this are sent to the student; right?

Mr. OTTINA. Excuse me. I used the word—what the student receives is the amount of the family contribution that is expected based on our calculation.

Senator PELL. In quintuplet.

Mr. OTTINA. In—I don't know if quintuplet is the right number. I was using that as a example to illustrate my point. But in multiple copies.

Senator PELL. And then the student sends it to the institution of learning to which he has applied.

Mr. OTTINA. Yes.

Senator PELL. And he doesn't have to do it when he applies; and then the institution calculates the individual award in case the institution charges less than the amount for which he is eligible; is that correct?

Mr. OTTINA. There are two other factors which the institution must take into consideration.

Factor 1 is the cost of instruction in attending that particular institution. The maximum set by law is $1,400 less the amount that is calculated on that form. It may be that a student, because he is attending an institution which is relatively less expensive will not receive the maximum that he is eligible for, because the award cannot exceed half of the cost of instruction. So that aspect of it can best be done by the institution, since it is aware of particular costs affiliated with that institution.

Second, in case the appropriation is less than what has been termed full funding, there is a reduction schedule which would be developed. The institution would then reduce that award according to the schedule; so that there are two other steps in addition to the first step we talked about.

Senator PELL. Carry on.

Mr. VOIGT. To get back to the schedule of expected family contribution, I would like to mention that in the development of any schedule it is essential to assess the amount that a family can be expected to contribute to education.

In the development of our proposed system, we keep the following things in mind:

First, we have tried to make the proposed system as simple as possible with an eye eventually to having a system where the student can do his own calculations. Second, we try to achieve national consistency in measuring the family's ability to provide assistance in an equitable manner.

In achieving this national consistency, we cannot take individual circumstances into account. And third. the system we are proposing would be used for the basic grants program only.

Mr. Chairman, the best way to explain the system that we are proposing is to present an example, of the determination of a family contribution.

Our first example is for a student who is dependent, who comes from a family having four members; one of these family members is in higher education; and one of the parents is working.

First, in determining the student's expected family contribution, we take into account the parents' adjusted gross income for previous tax year. We have used this because it is very desirable not to require parents or students to have to estimate their incomes for the current year.

We have seen some studies which show that upper-income students' families traditionally underestimate their incomes and lower-income families traditional overestimate their income. Therefore, we can verify the data that are provided for the prior tax year for family income. In our case, the family had a gross income of $5,340.

The next item——

Senator DOMINICK. May I interrupt at this point?

Mr. VOIGT. Sure.

Senator DOMINICK. I just want to know whether this is what you are doing now, or what you anticipate doing?

Mr. VOIGT. This is the system that we are proposing to use, and——

Senator DOMINICK. It is not similar to any things you are doing now?

Mr. VOIGT. No; it is not.

Senator DOMINICK. Is there presently any basis for comparison?

Mr. VOIGT. Well, this is a new program. There are several needs analysis, agencies in existence; and the result of this system roughly parallels the outcome of the systems used by the major agencies. In addition, I think on this item, those agencies are also using prior-year data.

Senator DOMINICK. Yes.

Well, we got into a real flap last year over the fact that we didn't have any simple way of determining student financial needs and that was corrected by an emergency resolution which I put in.

And I realize that we have got a different computation here and that we are dealing with grants rather than loans.

What I am trying to do is find out whether the computation is being simplified or complicated. And we can't do that unless we have got a comparison.

Mr. VOIGT. I think——

Senator DOMINICK. Maybe you could give us, as well as what you are doing prospectively here, what you are doing in any other program which may be similar enough for a comparison.

Mr. OTTINA. Senator Dominick, this is a program that was recently enacted, and it has in it of provisions which differ somewhat by law from the quaranteed student loan program. So I think you will find some natural differences which are required.

We would be pleased to try to provide this to you.

Senator DOMINICK. That would be fine.

Senator MONDALE. He had a table with which he worked out the impact of three separate computations—the one proposed by the Federal Government, the College Scholarship Service, and the American College Testing Service—and I think those two questions we have are the questions we have raised. What about the proposal for Federal funding? Because it is in my opinion substantially different as for a Minnesota farm family, who is considered a small businessman.

Mr. VOIGT. The next item we are trying to assess in the family's ability to pay for post-secondary education, will be the other parental income of the family. That income would include tax-exempt income, such items as tax-exempt bonds, the other half of capital gains income, welfare benefits, untaxed pensions, et cetera. We feel that these items must be taken into account before you get an accurate picture of the family's financial strength.

From these two items, then, these two income items, we then subtract the parents' income taxes paid on the income for the prior year, and come up with the figures for the effective family income. In our case, that will come out to $5,194.

Senator PELL. May I interrupt?

I think it would be of interest if you had what the award would be, using two formulas.

Mr. VOIGT. CSS and ACT.

Senator PELL. Maybe you could have one of your staff figure out what the amount of that would be using those formulas.

Mr. VOIGT. For this family?

Senator PELL. Yes.

Mr. OTTINA. I'm sure the committee is aware that on an item-by-item basis, you will find differences in the systems. However, overall the final results are similar.

Senator PELL. They would expect it to be different, but it would be of interest to me now.

Mr. OTTINA. Yes.

[The information referred to and subsequently supplied follows:]

Donald Jones

In addition to the information presented, the following is assumed for purposes of comparison and calculation. Donald Jones comes from a family with two parents and two children. Only one of Donald's parents is employed. The Jones family resides in a state where there was no state income tax in the base year. Donald's father is 45 years old. Donald is the only member of his family enrolled in higher education and will be a freshman in the coming year.

Donald Jones
Dependent

BEOG		ACT		CSS	
Parents Adjusted Annual Income	5340	Total Income	5340	Net Income	5340
Federal Income tax paid	146	Federal Income Tax Paid	146	Federal Income Tax Paid	146
----		State Income Tax Paid		----	
Effective Family Income	5194	Social Security Tax	278		
Family Size Offset	4300	Family Size Allowance	5310	(Family-size Allowance is built into Contribution Table)	
Employment Expense Offset	0	Housekeeping Allowance		Housekeeping Allowance	0
Unusual Expenses	0	Deduction Allowances	780	Medical Expenses	
----		----		Emergency Expenses	
----		----		----	
----		----		Other dependents	
----		----		indebtedness	
Total offsets against income	4300	(Total Allowances)		Total Allowances	146
Discretionary Income	894	Available income	<1174>	Effective Income	5194
Standard Contribution	179	Educational Contribution	<95>		
		Number in College			
		Contribution from Income/person in college			
(Residence Equity)		Parents Home Equity		Residence, Equity	0
(Other Real Estate Equity)		----		Other Real Estate Equity	0
(Business & Farm Assets)		Net Value of Parent's farmer Business		Business or Farm Assets	0
(Savings Account)		----		Bank Accounts	0
Other Assets)		Other Assets		Other investments	0
Net Assets	10,000	Net Assets	10,000	Total Assets	10,000
----		----		Outstanding debts	0
Asset Reserve	7500	Retirement Allowance	17630	------	
Available Parental Assets	2500	Available Assets	<7630>	Available Assets	10,000
Asset Rate	.05	Available Income Increment	<382>	-----	
Contribution from Assets	125	Expectation from Assets	<77>	Income Supplement	418
----		Number in College		-----	
----		Contribution from Assets/person in College			
Standard Parents Contribution	304	----		-----	
				Adjusted Effective Income (income plus supplement)	

BEOG		ACT		CSS	
(from income & assets)				(maintenance offset $1,050)	5613
Number in College		----		----	
Multiple Student Rate	100%	Total Parental Contribution	<172>	Parents Contribution	0
Effective Income of Student	0				
				Contribution From Student Resources	125
Net Assets of Student	500	Student's Assets	500	----	
Student Asset Rate	.33	----			
Contribution from Assets	165	Contribution from Assets	125		
----		----		Contribution from Income	
----		Summer Savings Expectation	400	Summer Savings Expectation	400
----		Social Security Benefits		Social Security Benefits	0
----		(Veterans benefits)		Veterans Benefits	0
----		----		Other income	0
Total Family Contribution	469	Total Family Contribution	353	Total Family Contribution	525

Joe Smith

In addition to the information presented, the following is assumed for purposes of comparison. Joe Smith lives with his mother who is a single parent head of household. His mother lives in a State with no State Income Tax. Joe's mother is 45 years old. Joe is, of course, the only member of his family enrolled in higher education during the coming year and he will be a freshman. He receives Social Security **educational** benefits of $648.

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Joe Smith
Dependent

BEOG

Parents Adjusted Annual Income	$ 4700
Federal Income Tax Paid	275

Effective Family Income	4425
Family Size Offset	2800
Employment Expense Offset	1500
Unusual Expenses	0

Total offsets against income	4300
Discretionary Income	125
Standard Contribution	25
(Residence Equity)	
(Other Real Estate Equity)	
(Business & Fram Assets)	
(Savings Account)	
(Other Assets)	
Net Assets	1200

Asset Reserve	7500
Available Parental Assets	0
Assets Rate	
Contribution from Assets	0

Standard Parents Contribution (from income and assets)	25

Number in College	1

ACT

Total Income	$ 4700
Federal Income Tax Paid	275
State Income Tax Paid	0
Social Security Tax Paid	244
Family Size Allowance	2610

Housekeeping Allowance	
Deduction Allowance	780

(Total Allowances)	3909
Available income	791
Education Contribution	385
Number in College	1
Contributions from Income/person in college	385
Parents Home Equity	

Net value of Parent's farmer Business	

Other Assets	
Net Assets	1200

Retirement Allowance	10503
Available Assets	(9330)
Available Income Increment	(466)
Expectation from Assets	(140)
Number in College	1
Contribution from Assets/persons in college	(140)

CSS

Net Income	$4,700
Federal Income Tax Paid	275
State Income Tax Paid	0

Housekeeping Allowance	0
Medical Expenses	0
Emergency Expenses	0
----	0
Other dependents	0
Indebtedness	0
Total Allowances	275
Effective Income	4425
Residency Equity	0
Other Real Estate Equity	0
Business or Farm Assets	0
Bank Accounts	0
Other investments	0
Total Assets	1200
Outstanding debts	0
-----	0
Available Assets	0
Income Supplement	-312

Adjusted Effective Income (income <u>plus</u> supplement maintainence offset ($1,050)	

BEOG		ACT		CSS	
Multiple Student Rate	100%	----		----	
Parental Contribution	25	Total Parental Contribution	245	Parents Contribution	-150
Effective Income (Soc. Sec. and G. I)	645				
Net Assets of Student	350	Student's Assets	350	Student Resources	87
Student Asset Rate	.33	----		----	
Contribution from Assets	116	Contribution from Assets	88		0
----		----		Contribution from Income	0
----		Summer Savings Expectation	400	Summer Savings Expectation	400
----		Social Security Benefits	648	Social Security Benefits	648
----		(Veterans benefits)		Veterans Benefits	0
----		----		Other Income	0
Total Family Contribution	789	Total Family Contribution	1381	Total Family Contribution	985

Judy Dean

In addition to the information presented on the attached chart(s) the following is assumed for purposes of comparison.

Judy Dean is an independent, 23 years old, who is in her Junior year of college. Her adjusted gross income in the base year was $1,100 and was non-taxable. Since she is single, under the Basic Grant Program, her family size offset is $700 which means that $400 discretionary income is available and of that amount 75% or $300 is expected to be available to pay her educational costs. Her net assets are $600 which provides a contribution from assets of $198 when the 33% Basic Grant student asset rate is applied to that amount. Her total contribution from income and assets is $495.

Under the College Scholarship Service System the full amount of her net income ($1,100) is expected to be available for educational costs as well as $150 from her net assets for a total contribution of $1,250. The contribution from assets is determined by subtracting CSS's standard $300 emergency allowance for single independent students and the remainder is divided by the number of years of school remaining. Since Judy will be a Junior she has 2 years remaining and $150 is, therefore, expected.

Under the American College Testing System, Judy's contribution is slightly higher since no asset reserve is allowed. The other procedures are similar to those used by the College Scholarship Service.

Judy Dean
Independent

BEOG		ACT		CSS	
Student Adjusted Annual Income	$ 1100	Total Income	$ 1100	Net income	$ 1100
Federal Income Tax Paid	0	Federal Income Tax Paid	0	Federal Income Tax Paid	0
----		State Income Tax Paid	0	State Income Tax Paid	0
Effective Family Income	1100	Social Security Tax	64	----	
Family Size Offset	700	Family Size Allowance	0		
Employment Expense Offset	0	Housekeeping Allowance		Housekeeping Allowance	0
Unusual Expenses	0	Deduction Allowance		Medical Expenses	0
----		----		Emergency Expenses	0
----		----		----	
----		----		Other dependents	0
----		----		Indebtedness	0
Total Offsets against income	700	(Total Allowances)	64	Total Allowances	0
Discretionary Income	400	Available income	1036	Effective Income	1100
Standard Contribution	300	Education Contribution	1036		
		Number in College			
----		Contributions from Income/person in college			
Number in College		----		----	
Multiple Student Rate		----		----	
Parental Contribution		Total Parental Contribution	0	Parents Contribution	
Net Assets of Student	600	Student's Assets	600	Student Resources	150
Student Asset Rate	.33	----		----	
Contribution from Assets	198	Contribution from Assets	300	----	
----		----		Contribution from income (see effective income)	
----		Summer Savings Expectation		Summer Savings Expectation	
Social Security Benefits[1]	0	Social Security Benefits		Social Security Benefits	
1/2 of G. I. Benefits[1]	0	(Veterans Benefits)		Veterans Benefits	
----		----		Other income	
Total Family Contribution	498	Total Family Contribution	1336	Total Family Contribution	1250

[1] Effective Income of Student

Charles Smith

Charles Smith is an independent student who is married with no children. His wife earned $1,000 during the base year. Mr. Smith earned $2,285 and is a veteran who will receive $261 a month for nine months of study during the academic year.

Under the Basic Grant award determination system the student's veteran's benefits of $220 plus the $41 dependency allowance, is treated as follows: One half of the student's veteran's benefits is considered as effective income of the student; one half of the dependency allowance is considered as the adjusted annual income of the student. Thus, 9x$41=$369 one-half of which is $184.50, which is added to the applicant's earnings of $2,285 and his spouse's earnings of $1,000 to produce an adjusted annual income of $3,470.

The contributions expected by the American College Testing Service and The College Scholarship Service appear considerably larger than those calculated under the Basic Grant System because the spouse's expenses are considered direct educational expenses of the student rather than as an offset against income. In addition the full amount of a student's veteran's benefits is considered as a contribution toward educational expenses by ACT and CSS.

Charles Smith
Independent

BEOG		ACT		CSS	
Students Adjusted Annual Income					
(and spouse)	$ 3470	Total Income	$ 3285	Net Income	$ 3285
Federal Income Tax Paid	68	Federal Income Tax Paid	68	Federal Income Tax Paid	42
----		State Income Tax Paid		State Income Tax Paid	0
Effective Family Income	3402	Social Security Tax	192	----	
Family Size Offset	2800	Family Size Allowance			
					0
Employment Expense Offset	500	Housekeeping Allowance		Housekeeping Allowance	0
Unusual Expenses	0	Deduction Allowance		Medical Expenses	0
----		----		Emergency Expenses	0
----		----		----	0
----		----		Other dependents	0
----		----		indebtedness	0
Total Offsets Against Income	3300	(Total Allowances)		Total Allowances	42
Discretionary Income	102	Available income	260	Effective Income	3243
Standard Contribution	51	Educational Contribution	3025		
		Number in College			
		Contributions from Income/person in college	3025		
Number in College		----		----	
Multiple Student Rate		----		----	
Parental Contribution		Total Parental Contribution	0	Parents Contribution	N/A
Net Assets of Student	150	Student's Assets	150	Student Resources	
Student Asset Rate	.33	----		-----	
Contribution from Assets	50	----		Contribution from Income	
----		Summer Savings Expectation		Summer Savings Expectation	0
		Social Security Benefits		Social Security Benefits	0
Effective Income of Student	990	(Veterans Benefits)	2349	Veterans Benefits	2349
----		----		Other income	
Total Family Contribution	1191	Total Family Contribution	5524	Total Family Contribution	5592

(1) includes Effective income of students derived from 1/2 of G. I. benefits of $990.

Mr. VOIGT. Next in our calculations for expected family contribution we take into account a number of possible expenses of the family, which are subtracted from the family's effective income before coming up with a discretionary income figure.

The first of these items is a family size offset; that is, an allowance for food, shelter, and other family needs which will vary according to the size of the family. For example, a two-member family would have a family-size offset of $2,800; a six-member family would have an offset of $5,700; a 10-member family of $8,400.

We have used for the offset the weighted average threshold at the low-income level from Social Security estimates.

Senator PELL. What does "offset" mean? I don't understand that.

Mr. VOIGT. By "offset," we mean an expense item that is necessary for the family, which would be subtracted from income before a contribution is expected from that income.

Mr. OTTINA. The basic philosophy, Mr. Chairman, behind all this is that it is hard to determine how much income the family has which should be devoted to educating the children; and in that sense, we are trying to take into account all of the obligations which should be subtracted from the basic income prior to determining what that amount should be.

What we are trying to reflect right here is how much income is required by that family to maintain its housing, its food and other necessities of life; so we have developed this table, so to speak in which we would, according to family size, subtract an amount of money which is based on some empirical evidence which we have determined is about the average that would be required to maintain a family of this size.

Senator MONDALE. In a particular area. Because in the State of New York, for example, it is more expensive to live than in the State of Alabama; so it is discretionary, this offset figure. Does that vary according to States?

Mr. OTTINA. It does not vary according to States. We have a national table; it is not varying according to States.

Senator MONDALE. You ought to determine it by State. There is a substantial difference because New York—New York has to be twice as much than the cost of living in California and New York compared with Alabama and Mississippi.

I think that you will also find the standards in Utah—also vary, but roughly to the same proportion as New York and Alabama, too.

Mr. VOIGT. We have looked at data and tried to take that into account. So has the——

Senator MONDALE. Did you have a considerable number of studies on that question?

Mr. VOIGT. ACT and CSS have not been able to come up with a satisfactory formula for taking into account regional differences, even differences within States and counties.

Senator MONDALE. Once again—all three formulas seem, in determining what the family can safely pay for the child—to make an offset by size of family. But the formula you propose gives less of an offset for a larger family than the other two formulas. Is that correct?

Mr. VOIGT. For the larger family. For the smaller family, I think it would——

Senator MONDALE. Which means then that since poverty varies, among other things, by the size of the family, that we will have fewer children going on to college if they have large families.

Mr. OTTINA. Sir, if I might again——

Senator MONDALE. If poverty has anything to do with it.

Mr. OTTINA. There are in this calculation a number of steps and, as I tried to indicate earlier, in some of them you will find a shade left and some of them you will find a shade right.

But later in the calculation is what you might term from the reference point that you are using, a more generous treatment, which I think offsets what we were talking about here. What we need to look at is the aggregate in terms of the treatment rather than any particular specific item.

Senator MONDALE. But suppose you had six kids in the family and you would like them to go on to college.

Mr. OTTINA. Right.

Senator MONDALE. Your formula would help that family less than any of the other two accepted formulas.

Mr. OTTINA. I don't think that is a fair statement.

Senator MONDALE. Based on the size of the family?

Mr. OTTINA. Because you are taking into account only one element of that formula.

Senator MONDALE. That's all I want to talk about right at this point.

Looking at that one element, you give less than either other formula; is that correct?

Mr. OTTINA. That is correct, sir. But that is not the calculation which is totally involved in terms of determining what the student can receive.

Senator PELL. Carry on.

Mr. VOIGT. The second offset that we take against income is unusual expenses. Here is an offset where we try to recognize special circumstances in families that truly have unusual expenses. We try here to identify those kinds of expenses which are truly unusual which are not normally deducted for income tax purposes. Included are such items as medicine and drugs, and other medical expenses, plus casualty and theft losses.

We are proposing to include those items as an offset, which are in excess of 20 percent of the effective family income. Again we try to get at expense items which are truly unusual.

In our case then we would not have any unusual expenses.

The next item would be——

Senator PELL. Could you give us an example of what you consider as unusual expenses?

Mr. VOIGT. Those would be medical expenses, and actually losses and theft losses.

The next item is an offset that is to be taken when both parents are working or when there is a single parent family and that parent is working. It attempts to recognize that additional expenses are incurred if both parents are employed, expenses such as clothing, carfare, essentials, et cetera, or for those expenses of the employed single head of household. The offset that is to be taken here is to be 50 percent of the lower of the two incomes, and this offset is not to exceed $1,500.

Mr. OTTINA. Senator, if I may interrupt here, this is an instance that you were talking about in that we do allow an offset for a single parent which is not allowed by one of the major need analysis agencies.

Mr. VOIGT. These offsets are then all added up. In our case, there is only an offset for family size, which is subtracted from the effective family income to get at the figure for the discretionary income of a family, that income from which a portion can be expected to be contributed toward the student's education.

For the basic grants system, we are proposing to expect 20 percent of the discretionary income from the first $5,000 of such income, and 30 percent of such income from any amount above that $5,000. In our sample here, we would expect a contribution from discretionary income of $179 from that family.

Mr. OTTINA. Mr. Chairman, would it be helpful as we go through the items to make comments about the need analysis service's and how they treat these items in comparison to our system. It seemed to be on Senator Mondale's and Senator Dominick's minds. If it is distracting to you, I won't do it.

Senator PELL. I just wanted to make sure we all understand what you are saying, what is the applicable rate?

Mr. OTTINA. We are proposing two rates.

Mr. VOIGT. Any amount under $5,000 of discretionary income, we are suggesting a rate of 20 percent.

Senator PELL. But how can you possibly make that assumption for a family with $5,000 a year, two children living in the average industrial State? Maybe in Alabama they could? Because one-fifth of their income——

Mr. OTTINA. It is not one-fifth of their total income, Senator. It is one-fifth of their discretionary income after the Federal taxes paid and the family-size offset have been subtracted.

Senator PELL. Could you submit for the record the standards of the family-size offset figure that you had.

Mr. OTTINA. We would be pleased to.

[The information referred to and subsequently supplied for the record follows:]

Basic educational opportunity grant program

Family size:[1]	*Allowance*
2	$2,800
3	3,350
4	4,300
5	5,050
6	5,700
7	6,300
8	7,000
9	7,700
10	8,400
11	9,100
12	9,800

[1] Including student.

Mr. OTTINA. May I point out again that on an individual item-by-item comparison the various systems differ; however the net effect on the entire population is roughly comparable.

Senator MONDALE. I think one of the things that is standard is that when the administration was proposing this concept of the basic grant, the cost was estimated at being about $1.2, but now that it is supporting the concept, I think it is about half of that, $600 million; and this what I am trying to get really clear in my mind what——

Mr. OTTINA. Our estimate of full-funding, which is what is being proposed for fiscal year 1974, is $959 million.

Senator MONDALE. $959 million versus $1.2 billion——

Mr. OTTINA. You will I think also find that the concept has changed slightly.

Senator MONDALE. Since there are three competing student entitlements under these rules, the so-called Federal funds, could you tell us what the national cost for running each of those would be? I think the answer to Senator Pell is that at the time this measure was being considered, I know it was my understanding that we assume that one of those two existing formulas would be used. The introduction of this Federal formula, I think, greatly increases the cost of the student and reduces the cost to the Government. I may be wrong in that, but certainly the material I have——

Mr. OTTINA. Our experience, Senator, was that there were points in the formula that were points that we would support and differences in the formula which we felt needed alteration.

I think that in rough response to the question that you have asked, that our estimtaes are that if you applied any one of the three formulas to the full funding criteria, which is the measure I think is the most accurate to use in terms of requested funds, with the——

Senator MONDALE. Well, I don't see how that can be, because to use these three formulas in comparison with the average family—let's take a family of three—under the Federal formula, as you propose, that family has to contribute $412. Under the CSS formula, it is——

Mr. OTTINA. Senator——

Senator MONDALE. In any case, we use net worth, $15,000 here. Under the Federal formula, the student with—the family would have to contribute $787. Under CSS $405 and another $70. So that under every formula your proposal costs the family substantially more than they would pay under the other two formulas. That is bound to save a lot of money, isn't it?

Mr. VOIGT. In our evaluation of the specifications of the CSS and ACT systems we find that on a case-by-case basis there are some dissimilarities; the overall results are comparable.

Senator MONDALE. With all the due respect, I happen to suspect that almost every student aid officer who got this proposal would be for postponement because they said that the average young man or woman from a farm in Minnesota will not get any help in the position of a small businessman; and they think they could benefit——

Mr. OTTINA. I think, Senator, if we may proceed—there are two elements in these various formulas that I think ar beginning to come out more clearly. One is the treatment of assets. the other is the treatment of student income. If we may proceed for a moment to go through the full process, then, if you would like, come back and talk about what the different treatments are——

Senator PELL. Well, we will try to restrain ourselves.

Mr. VOIGT. The next item that we consider in determining family contribution is all assets of the family—businesses, homes, savings, and cash accounts. After subtracting the debts on these assets from the total we arrive at a total net asset figure for the family.

We exclude from the total assets consumer durables such as automobiles, furniture, appliances, etc.

Mr. OTTINA. Excuse me. This is one of the parts where perhaps there is confusion in calculating the contribution from the farm assets. It is based on equity, not the value of the farm. The equity——

Senator MONDALE. Yes. All three plans include equity. The difference is that you jump that figure up so high that it is going to cut out most of the farm kids in Minnesota and most of the children of small businessmen. It is not a question of whether equity should be considered; it is whether there should be such a radical increase in the expected contribution of these farmers as your Federal formula provides.

Mr. VOIGT. In looking at the assets and trying to assess what could be expected from them, we recognize, of course, that families use their assets for other reasons than sending their children to school. We have therefore suggested a reserve on assets of $7,500. We determined the amount of the asset reserve by looking at statistics on the mean asset position of families by family income.

These statistics show roughly that a family with an income range of zero to $6,000 has a mean asset position of around $3,750, a family with an income of $6,000 to $9,000 has a mean asset position of $5,750, and a family with an income of $9,000 to $12,000, has a mean asset position of roughly $8,250.

Senator PELL. May I ask here whether the law required that you bring in the assets of the parents.

Mr. VOIGT. The law does not require that we take into account assets and we will be collecting this information from the student on the application form.

TREATMENT OF ASSETS

Senator DOMINICK. Well, we had a big argument about the treatment of assets in conference.

What do you do with a farmer who has maybe $10,000 worth of land but can't grow a productive crop on it? What good are assets when it doesn't help in sending a kid to school?

Mr. OTTINA. The law as we read it does call for the treatment of assets——

Here it is. If I might read it. It is a very short sentence and it is under section 411, roman numeral V—roman numeral IV underneath that. It says "The amount of the assets of the student and those of the student's family."

Senator MONDALE. The point is not that we shouldn't calculate assets. My point is that you are changing it radically to adversely affect the children of the small farmer and the small businessman. I think the question is whether you are going too far; because, as Senator Dominick points out, if you are a marginal farmer and you need all of your assets just to eke out a living, there is no point in looking at those assets as the source of a loan to pay for the cost of education.

In Minnesota, the average farmer makes $3,500 a year. So you say, well, why don't we borrow on what little reserve he's got? It's not there—not if he wants to keep farming.

Mr. VOIGT. We will be expecting the student and his family to furnish us with all of the data necessary for the contribution determination, including assets. We will be issuing instructions with the application form telling the family how to complete the form and submit the data.

Due to the number of applicants that we expect under the program, we cannot validate all of the items collected; but we are planning to validate them on a sample basis.

To continue with the treatment of assets——

Senator DOMINICK. Let me just give you an example here.

You could have a farm which in one case might be worth a considerable amount of money if he gets a good crop out of it one year; and the next year it isn't worth anything. A small business could be worth something one year and nothing the next year.

You have got a requirement in here for the family, I gather, in terms of value of assets, to try and decide for themselves whether they ought to base it on market value or valuation in terms of land.

Now, you could have it on the question of whether it is a growing area and be classified as agricultural land or suburban land. You could do all kinds of things and for the life of me I cannot see what real value it would have in determining whether parents can contribute to a child in college as to whether or not their assets are liquid or not so that they can do something with it. Are you going to require them to sell the assets? Suppose they have $100,000 worth of assets? Are they going to have to be required to sell them?

Mr. VOIGT. No; what we are trying to do by looking at the assets is to assess the financial strength of the family. We feel that the family having a $5,000 income with zero assets is in a weaker position than a family having the same income with $50,000 or $30,000 in assets. We feel that it is a matter of equity.

In addition, we are expecting, after the $7,500 asset reserve, that 5 percent of assets be contributed toward the student's education. That seems to be roughly the growth rate of bank accounts. It would also be the growth of land value. We expect that the 5 percent rate will leave the family asset position roughly unimpaired.

Senator DOMINICK. Yes; but this—what you are doing by the time you get down to your own example is that you have got to add $125 to $179 and determine that that is their respective contribution as opposed to the other, and their assets may not be liquid. If they have to sell the assets, they are in worse shape than they were before.

Mr. OTTINA. The problem of treatment of assets is a very difficult and complex one. The problem of equity, nationally, is the goal that we were trying to reach. It is very hard to make judgments about whether $15,000 in a farm in rural Colorado is different from $15,000 of equity in a home in Providence, R.I., or a $15,000 savings account in your home State, Senator. These are the kinds of judgments we are attempting to make here.

I share your concerns that the solutions are not easy.

Senator DOMINICK. We are dealing only with grants in this case, not with loans?

Mr. OTTINA. Yes, sir, that is correct.

Senator DOMINICK. OK; I am sorry, Mr. Chairman. I apologize for interrupting. It is just that the treatment of nonliquid assets has been of concern to me for some time.

Mr. VOIGT. As I indicated, we are expecting after the $7,500 reserve, a contribution of 5 percent from the remaining assets. In our sample, we have a family with a total asset position of $10,000. After subtracting the $7,500 this family has $2,500 in assets from which a contribution may be expected. An assessment rate of 5 percent would result in a contribution from assets of $125 for that family.

This asset contribution has been added to the contribution from discretionary income and, in our case, the level of, for want of a better term, standard contribution from this family is $304.

Next we make an adjustment for the number of persons in that family who are enrolled in postsecondary education. These rates were arrived at after looking at actual contributions made from multistudent families and range from 100-percent expectations, in our case of $304, for one student in postsecondary education; to 70 percent of the contribution for each student enrolled when two students in the family are enrolled in postsecondary education; to 50 percent from each student when three students are enrolled; to 40 percent when four or more students from the same family are enrolled in postsecondary education. In our case, since there is only one member of the family in postsecondary education, we are expecting 100 percent of the standard contibution to be contributed toward that student's education.

The next item we come to is the effective income of the student.

Here, we are including one-half of the veterans' educational benefits received by the student and the social security educational benefits received by the student. These are Federal programs for supporting students in postsecondary education; and we are expecting 100 percent of those two amounts, as we mentioned.

Mr. OTTINA. Mr. Chairman, if I might just interject here, this is one of the differences we were talking about earlier which changed our estimates of the total cost of the program from the $1.2 billion we discussed earlier.

Senator MONDALE. How do these formulas that you referred to deduct from the estimate?

Mr. OTTINA. Our understanding is that for the bottom of the spectrum in terms of family income, they are not taken into consideration. From the higher end of the spectrum they are considered.

Senator MONDALE. What do you do at the bottom?

Mr. OTTINA. We treat it all the same way, regardless of family income.

Senator MONDALE. A student going to school from a poor family under the earlier, traditional college formula would be permitted to keep his veterans' payment; but under your formula, his BOG grant would be reduced by one-half of the amount of the veterans' benefits?

Mr. OTTINA. That is right. Part of the difference is that we are trying to set up in this case is an entitlement program and we have a slightly rigid set of regulations and rules, quite naturally. As we talk about the various examples, unfortunately, some of them relate to individual discretion. Since financial aid officers can exercise discretion in the college-based programs; but generally, you are correct; you will find exceptions to almost every case that we are describing because under current programs there is discretion in the student financial aid officer.

Senator, if I may take the opportunity, as we read the committee report, our reading of it suggests that you did not wish either of the systems of the two services be adopted; that the Federal system should be similar to the act and CSS systems but should be developed differently and that is indeed what we have attempted to do.

Senator PELL. I might say to my colleague from Minnesota that this provision on GI loans and social security was put into the law and it was put in at the insistence of the House, despite your objection and mine.

Senator MONDALE. Thank you for reminding me. I did object.

Mr. VOIGT. To conclude then the discussion of effective student income, the social security benefits and the veterans benefits are the only items that are taken into account. We do not feel we can take into account the student's current-year income in the family contribution determination system. It normally would be that the student applies for this program in March or April or even May. And it would be very difficult for him to try to estimate the amount of his income during that year.

Mr. OTTINA. This is another one of the examples where we are taking a different position from the traditional one taken by the need analysis services. They do try to estimate the income that will be derived in the academic year and expect part of that assumed amount, if not all of it, as a contribution for educational purposes.

We are taking the position that it is very difficult if not impossible for a student to estimate his income a year and some months ahead of time. Since we are talking about at best his basic grant covering one-half of his cost, he will be necessity need other resources to supplement the other 50 percent. By not expecting this income in this calculation we feel that this will provide an incentive to work and supplement this basic grant.

Senator DOMINICK. We thought originally of using one of the two forms which have been used. And then we thought of writing a schedule ourselves, but we couldn't do that. So we came to the conclusion that the understanding of the paragraph at the top of page 35 of the report that you would basically set the schedule balancing the equities.

Mr. OTTINA. Mr. Chairman, I think that you will find that for a family of four, with one student attending a postsecondary institution that for almost all income levels we have done exactly that.

Senator MONDALE. I respectfully dissent, Mr. Chairman.

Senator PELL. Well, this will come out as we move along.

Senator DOMINICK. One more question.

Getting back to these assets—what would prevent a family from putting their property if they want to get full grants for their children for education, in the children's name? Then the family doesn't have any assets at all. If it is nonproductive land, the child doesn't have an income. So you have got a guy with a whole bunch of land which is in the child's name, or in trust for him.

Mr. OTTINA. Senator, we treated the student's assets more harshly than we have the family's assets. In fact, I think you will find there is little advantage to doing that.

Senator DOMINICK. What do you do if they put it in a trust?

Mr. VOIGT. That would be considered as an asset.

Senator DOMINICK. Whose asset? If he put it in an irrevocable trust and nam· ·l a few trustees? We do that all the time for Cabinet officers. [Laughter.]

Mr. VOIGT. We felt that since the student is the direct beneficiary of postsecondary education, we would expect him to invest a greater portion of his resources than his family would be expected to invest. We are expecting a contribution of 33 percent of a student's assets per year for each year that he is enrolled, which would leave him with some remaining assets at the end of his academic career.

This is somewhat different from the services which divide a student's assets by the number of year's remaining in school. In our case, a student having assets of $500 would be expected to contribute $155 from his assets. The total contribution then from family income and assets are added to the student contribution and with that we arrive at a total family contribution for this student and his family of $459. This amount would then be subtracted from the $1,400 maximum grant, to arrive at the total of $931. This will be the amount shown on the certification that the student will get back from the contractor. He would then send this notification to the particular institution that he has chosen wih his application for admission. This concludes the review of the family determination for the dependent student.

Next we turn to the contribution determination for an independent student.

Senator DOMINICK. Let me just point out something here.

You have in your example a family of four with the full income of $5,340, and a disposable income is $894, and you are expecting them to make a contribution of 50 percent of that to one child?

Mr. VOIGT. Well, let me——

Senator DOMINICK. Is this an error?

Mr. VOIGT. As a student asset, we are also looking at the——

Senator DOMINICK. A student in your example has a better car than I have. He's got a $500 car.

Mr. VOIGT. We are not including consumer durables such as automobiles and furniture.

Senator DOMINICK. But you are still expecting them to make $165 contribution from assets again, and I realize that this was put into the law. The question is, in fact, how are they going to gobble up $459 of an $894 disposable income, which is not discretionary.

Mr. OTTINA. First of all, this is not a typical example. The numbers that we have used throughout are not numbers that you would think you would find for a family with this kind of income. We made the example so that we could illustrate how various things change the cost.

Second, if you look at it, the expected family contribution is really derived in three pieces: the parental income, the parents' assets from which we expected a contribution of $150; and the student's assets which we assumed in this case was a bank account of $500. From that $500 came a portion of the total expected family contribution. This is not a typical family of four with this kind of family income.

Senator DOMINICK. But again we come back to what type of assets we are using; and I guess this is what I am talking about. Now, what type of assets are we using?

Mr. VOIGT. We are expecting to be included in the assets such things as home equity, savings accounts, stocks and bonds, et cetera. We would not include consumer durables such as furniture, automobiles, and the like.

In addition, I might also like to point out that we are taking into account the family expenses, living expenses, in the family-size offset; and that this family does have an income of $5,600 from which we expect $179 and a contribution of $125 from parental assets plus a contribution of $165 from student assets.

Senator DOMINICK. Well, I understand what you are doing. I am just not sure that's realistic; I guess that's what I am saying.

Okay.

Senator PELL. On this emancipated student. What if he is emancipated by the parent the year in which he applies for the grant? As I understand your criteria, he has to be independent for 12 months; is that correct?

Mr. VOIGT. That's right.

Senator PELL. What happens in a case when a father says, "Son, you are now 18; you are on your own"? And therefore the kid won't——

Mr. VOIGT. The whole question of the definition of an independent student is one that is probably the most difficult one that we dealt with. There are two real major inequities. In a grants program, you do not want to have instances where parents should get the grant for students who are on their own, despite the fact that the family has a family income of $20,000.

Senator PELL. What is the answer to my question?

Mr. VOIGT. Well, essentially you are correct—in order to meet the criteria for an independent student, he cannot have been claimed as an exemption on the parents income tax during the year of the application and the prior year. He could not have received more than $600 from the family during this same time period; and could not have lived at home during that time period.

Senator PELL. Do you have a form, in essence, that covers the financial equity?

Mr. VOIGT. We have considered that. The questions of equity are really very serious ones. We do not want to provide in this program any incentive for a student to become independent. We believe that the family is responsible to some extent for paying for the education of their children. In the example that you mention, where a father says you're 18; you're on your own, our policy is that the Federal Government should not be encouraging this kind of thing.

If the student were poor, coming from a poor family he would be getting a basic grant, whether he is dependent or independent. We do not want students coming from middle or upper-middle income families getting basic grants because their families have declared them instant independents.

As I said earlier, it is one of the difficult questions that we have had to deal with.

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In our example, then, for the independent student, we begin with the effective student income which is one-half of the veterans educational benefits and social security educational benefits. We have treated them the same as we have treated those for dependent students. We then look at the gross income of the applicant, which in this case would be $1,100. Again we ask for the prior year income.

We then look at other income of the student. In this case it is zero. Subtract the Federal income taxes paid to come up with an effective family income for that student. For an independent student we also have a family-size offset.

The family-size offset is $700. If the student has dependents, then the family-size offset is the same as for parents of dependent students.

We also allow for the unusual-expense offset and the employment-expense offset as we do for dependent students. Since this is a single student with no other offsets the total offset deducted would be $700; and the discretionary income would be $400.

The contribution rate from discretionary income of the independent students varies.

For the independent student who is single, we expect about 75 percent of his discretionary income to be contributed toward his education. For a married student with no other dependent that expectation would be 50 percent; and for a student with dependents other than spouse it would be 40 percent. Again, we assume that since the student is a direct beneficiary of his education, he would be therefore expected to contribute more than his parents would be.

We then look at the assets of the independent student and these assets are treated in exactly the same manner as the assets of the dependent student. Here again we would divide his assets by one-third. In our case, that contribution would be $198, resulting in a total expected family contribution for an independent student of $498.

This then would be an example of the calculation of expected family contribution for the independent student.

Recognizing the fact that he would be the direct beneficiary of his education, he would therefore be expected to contribute more than we would expect from a family with a student.

Mr. OTTINA. We have a set of examples that we have calculated——

Senator MONDALE. Would you consider that a better formula?

Mr. OTTINA. No; it is not. This is only the schedule that we have proposed.

Mr. VOIGT. The next chart is an example of awards at the full funding level for the program at various family income and family contribution levels for different cost schools.

For example, the student coming from a family making $4,000 has a zero family contribution. If he attended a $1,500 institution, which would be a low-tuition or no-tuition community college, his award would be $750 because of the half-cost limitation.

If he attended an institution like a public 4-year State institution, his award might be, with the half-cost limitation, $1,050. If he attended a higher-cost private institution, he would be eligible for the full $1,400 maximum. A student coming from a family with $7,000 would be eligible for $750 at a $1,500 school, $940 at the $2,100 institution, and $940 at the institution costing $4,100. The student coming from a $10,000 family, and having a family contribution of $959, would in each case be eligible for an award of $441.

Mr. OTTINA. I think that this chart illustrates some of the factors involved in the award-making process in that it shows the relationship of family contribution and cost.

We have concluded with our testimony, Mr. Chairman.

Senator DOMINICK. May I ask one question?

Senator PELL. Yes.

Senator DOMINICK. In reviewing the series of charts that you gave us here, line 16 in the last sample is unreadable. I don't know what it says, but if it says "expected contribution for the educational process," then I am amazed, because it comes out at that point as more than the total income.

Mr. VOIGT. In looking at the middle of the sample—total income of the student is $1,100.

Senator DOMINICK. That is not the one we are talking about.

Mr. VOIGT. Oh; I am sorry.

Senator DOMINICK. This is Charles Smith. He is an independent. As a Republican I differ.

Mr. VOIGT. This is a student who had a veteran's benefit of $261 a month, which we are including as a direct contribution toward education simply because that amount, or at least half of it, was included in effective student income.

Senator DOMINICK. I was just talking about Charles Smith. Have you got him? I am just trying to read line 16.

Mr. VOIGT. The total expected family contribution was $1,104.

Senator DOMINICK. And yet his income is $990.

Mr. VOIGT. His income is $990 if one-half of his eligible veteran's benefit is adjusted. Gross income for that prior year would be $3,285.

Senator DOMINICK. Well, you have got an effective income of $990 and you expect him to pay $1,104. That is what I would like to ask.

Mr. VOIGT. The effective income, the definition of effective income in these proposed regulations, is only one-half of the veteran's and the social security benefits received by the student for educational purposes.

The adjusted gross income for that year would be $3,285, and he had other income of $185. That $990 is only one-half of his veterans benefits for that year.

Senator DOMINICK. Well, his effective family income then is $3,428, of which you figure he is going to pay a third for his education per year?

Mr. VOIGT. Yes, sir.

He is an independent student.

Senator DOMINICK. We have a minimum of 25 percent on the rest of it. Here you have one-third.

Mr. VOIGT. He is an independent student and he will be the direct beneficiary of his education. We take into account the size of the family; he can receive an allowance of a certain amount; and he also is receiving at the same time veteran's benefit directly for education of over $1,900 for that year. The $990 is included in that calculation of the family contribution.

COST OF ATTENDANCE

Senator PELL. The other principal element in the basic educational opportunity, then, is the cost of attendance.

Senator Javits wanted to know when the regulations on this would be available and can you give the committee at this time any idea of the elements included in how it will be completed?

Mr. VOIGT. We are expecting to issue the regulations governing the cost of attendance and the items included under that sometime very early in March.

We would be including tuition and fees, room and board for students living off campus.

Mr. OTTINA. That will be published for proposed ruling in about 30 days' time.

Thank you, Mr. Chairman.

Senator PELL. Thank you.

I am going to ask the witnesses to stay here while the other witnesses testify.

Senator MONDALE. I should like to submit a number of hypothetical examples of students in various situations and ask you to calculate what you would do under the three formulas.

Senator PELL. They will be included in the record, which will remain open for other questions.

Senator DOMINICK. I would just like to make this comment if I may. I think that, with the restrictions imposed on you by the law, you have done a pretty thorough job in trying to work this out. I am not sure that it is going to be right, but the problem may be in the law and not the regulations.

Mr. OTTINA. Thank you, Mr. Chairman.

Senator MONDALE. As I understand, the main principal source of Federal support for the student becomes the BEOG program.

I think it may be reaching a maximum under the present law. At least in the State of Minnesota I am told that 58 percent of the banks do not plan to increase student loans, and 62 percent did not plan to make loans in excess of the countrywide proportion that is available under present regulations.

That being true, there are thousands of young people in the country, in my own State, whose chances of going on to college depend on how this formula works or they won't be able to go on to college.

It seems to me it is true that thousands of Minnesota farm children and children of the small businessmen are not going to be able to go on to college unless these regulations are changed. And if we try to make higher education available to all of our children without regard to the income of the family, so that more children can go on to college.

We will shortly be hearing from Mr. Hawk, who is one of the witnesses from Minnesota. He says that under your proposed formula the family-assets rule would effectively exclude a majority of low-income families and small-business families. Twelve percent of our population is on the farm; roughly 7 percent of the families are small businessmen. The adjusted family income for farmers in Minnesota is $3,500 a year.

We are not talking about high-income people at all. We are talking about people who are below the official poverty level.

The typical farmer in Minnesota needs net capital assets in excess of $34,000 to survive. Yet, under the proposed guidelines, any family with the net assets in excess of $34,000 automatically is excluded from the program. Now, that is a majority of the farm families and a high proportion of children of small business men who are disqualified to get to post secondary help from this program.

Now, under the two alternative formulas, there is an asset formula, but what's unique about your proposal is a different asset formula. Can you change it to more realistically reflect the problems that I have described?

Mr. OTTINA. Well, Mr. Senator, our understanding is that, in reference to that, the services are having great difficulty in their formula in trying to distinguish between liquid assets and nonliquid assets, and that they themselves are having second thoughts about their approach. Let me comment that we did not work very, very long and very, very hard, second only to the independent student, on the treatment of assets.

The problem of equity is one, by necessity, one is forced to make, and it is very, very difficult. A farmer who has assets of $35,000 is, by many standards, perhaps not entitled to a grant for his children.

Senator MONDALE. Even though he makes an income by the use of that property of $3,500 a year?

You think he is in a position ot support his child in any kind of——

Mr. OTTINA. Well, it would seem to me—and I am expressing my opinion here—that he is—his circumstances are substantially different than someone who is living in New York City who may be making $5,000 or even $7,000.

Senator MONDALE. Well, I am concerned about the person in the city, too, but there are alternative formulae which we can look at. I feel maybe we should consider that those assets of the farmer are there in theory only. Because the asset is essential to deriving any income at all from the property. And the income being derived is even now below the poverty line.

How can you say that the assets are available to pay these costs for the child?

Mr. OTTINA. We studied long to devise such a foundation. We looked at this problem and were unable to come up with what we thought was an equitable solution to the problem.

Senator MONDALE. Well, I agree——

Mr. OTTINA. And we came to this.

Senator MONDALE. Well, I mean do you deny that this would effectively disentitle virtually all of the farm children in my State any help under the BEOG?

Mr. OTTINA. I don't know the statistics of your State that well. Certainly, if someone had assets of $35,000, 5 percent of $35,000 by my calculation comes to $1,150, and that would severely impair any chances of a grant.

Senator MONDALE. Did you make a calculation on the assets of the farm—of what the assets on a farm must be in order to survive?

Mr. OTTINA. We did look at those. The problem was the other way around. Basically what we looked at was the asset holdings of families by income.

Senator MONDALE. What should I tell the farmers of Minnesota: "Well, we have looked at his problem and we looked at it the other way around and the kid can't go to college?

How would you propose we answer that question?

Mr. OTTINA. I find it very difficult, Senator, to justify in my mind proposing that a family who has assets of $50,000 should expect that the Federal Government should award their children grants.

Senator MONDALE. Well, if a person needs $35,000 to survive on the land, and by this formula there has been no money for those children to go on to college, and the annual income of that farmer is $3,500 a year, which is below the strict poverty level, what would you suggest that I tell that farmer as to how he might send his children to school?

Mr. OTTINA. I would suggest that he might be eligible for a loan. We have loan programs to which he could apply.

Senator MONDALE. What kind of loan would you suggest?

Mr. OTTINA. There are State scholarship loans; there are student loans from the Federal Government.

Senator MONDALE. What, guaranteed loan programs?

Mr. OTTINA. Not the guaranteed portion of it, but, yes, loan programs, Federal loan programs.

Senator MONDALE. But you would say that if he were to sell his farm—of course, he could sell his farm, couldn't he?

Mr. OTTINA. He could.

Senator MONDALE. He doesn't want to do that. He has got $3,500 a year in income for a family of three, and you tell him to take out a loan.

Where would he get that loan?

Mr. OTTINA. Well, I imagine there would be many banks who would be willing to loan $2,000 on a $30,000 farm. Which is the assumption that you have made.

Mr. VOIGT. Senator, what does the $3,500 represent? His income here? His——

Senator MONDALE. The median adjusted income, gross income for farmers in Minnesota, is $3,500 a year.

Mr. OTTINA. In our calculation at this point——

Senator MONDALE. What?

Mr. OTTINA. From our calculation at this point, what does the $3,500 represent?

Senator MONDALE. Well, I am going to have a terrible situation in Minnesota to tell the farmers that they can't send the kids to school. I can't believe that an agency of the Federal Government would propose a radical revision of existing family-assistance loans which terminates and excludes farm children and children of small businessmen. I just can't believe that there hasn't even been a calculation at this time. Again, that is your testimony.

Mr. OTTINA. But we have. We looked at it from a different——

Senator MONDALE. You have calculated the impact of the family plan.

Mr. OTTINA. Yes; we have attempted to do that. There are several elements which come into play: it is very difficult here to take them into account. Take a farmer——

Senator MONDALE. You had a formula that would take it into account.

Mr. OTTINA. I don't believe—we have not found——

Senator MONDALE. Well, the others——

Mr. OTTINA. Just take exemptions themselves—and we have a farm somewhere in your home State which has a value of $35,000. Presumably that is a farmhouse, a piece of land, and various other farm equipment.

All of what we are talking about in terms of housing allowance, et cetera, et cetera, would be not accounted for in your $35,000. So that he in a sense benefits from living on a farm as well.

If you go through the calculations that we introduce, there is an offset settlement of $7,500. That is usually true. So that the whole calculation itself for a farm in the example you gave has a lot of benefits that accrue to the farmer by virtue of the fact that his home and business are coincident.

Senator Mondale. Well, suppose he has a net asset of $3,500 and no income? Would he be entitled to anything under your formula?

Mr. OTTINA. We would subtract under that case $7,500 from $35,000, which is $27,500; take 5 percent of that, which is $1,250—right?

Mr. VOIGT. Right.

Mr. OTTINA. And that would be his expected family contribution; subtract that from $1,400, and he would have a maximum grant of $175, if my arithmetic is correct.

Senator MONDALE. So you have got a farmer whose farm is returning no income at all and you say we would give them $100.

Mr. OTTINA. He has a piece of property which has a market value of $35,000.

Senator DOMINICK. We are talking about only one program, one type of grant program.

Mr. OTTINA. Yes.

Senator DOMINICK. There are all types of loan programs——

Senator MONDALE. I realize——

Senator DOMINICK. They didn't have a grant program before, so maybe they are better off——

Senator MONDALE. Well, we had an EOG program which was very helpful in these areas; and I am sure they didn't have any formula like this. We had the NDSL program. We had a guaranteed loan program——

Senator DOMINICK. Well, I agree with the Senator about the assets. But we wrote it into the law. That is the problem. It is in the law.

Senator MONDALE. It is discretionary. I remember very clearly what we did at the time we were considering this bill. We had in front of us two formulas with different computations. And we decided not to pick one as against the other but we said let's—based on roughly what these colleges can determine the family can contribute—ask the Federal government to propose a formula. And now I think we have got a proposed Federal formula that radically changed it to the point that I am going to have to go home and tell the farmers of my State that not only have they had their disaster loans terminated, not only do they plan to terminate the farm programs, a couple of farm programs—rural electrification and rural telephone programs—rural housing, sewer and water loans, but we are not going to let their kids go on to school, either.

Now, they are not going to take that. I don't care how you figure, they are not going to take it; and if I have got something to say about it, they are not going to have to take it. Enough is enough; and I think we had better take another look at that.

Because, if you talk about assets that are free and clear in the hands of a wealthy person, and are not essential to the production of minimum income for the family, then I think you have got a formula that makes sense. But when you talk about encumbering or selling assets that are essential to derive a minimum sub-poverty-level income, this formula is ridiculous.

Mr. OTTINA. To the best of our information the paper does take into account farm assets.

Senator MONDALE. That is correct. I have said that many times. The difference is—and I think you will find that some institutions make a practical distinction between assets that are essential for the derivation of minimum income for the family and assets that are reasonably available to derive money to help students go on to college.

Your formula makes no such distinction, in my opinion.

Now, I would like to go to a second——

Mr. OTTINA. Again, I don't——

Senator PELL. Could you stop a moment while the stenographer changes his paper?

[Off the record.]

Senator MONDALE. The other thing is the ability of a family to pay, and the role of family size in determining this.

Mr. OTTINA. That is in the record.

Senator MONDALE. Yes. My information is this: And, of course, all three formulas again do this. But you give less credit for a large family than the other to do. And I want to quote from Mr. Hawk here:

> As family size increases, the difference in contribution expected by the proposed procedure increases when compared to the ACT and CSS systems. This is * * * caused by inadequate family-size offsets in the procedure outlined in the guidelines. * * *
>
> It would appear that family-size offsets are considerably below that which is required to maintain a family and that, as family size increases, the family-size offsets are increasingly inadequate. The negative potential created by this procedure is emphasized by the fact that large families tend to be concentrated among the lower income segments of the population.

Let's just deal with the question of family size for a minute.

According to our computations for Minnesota, if your formula went into effect, with three dependent children, the family would contribute $412 under ACT and $167 under CSS. This is a formula proposed for two parents, one parent employed—net worth $15,000.

And then, in one—in every one of these cases—as the family size increases, the amount of money in the proposed Federal formula would contribute to the BEOG drops.

Now, why would we have a formula which does not adequately adjust for a large family?

Mr. OTTINA. Family contributions again were based on social security data and—it is to the best of our knowledge, the best data available in terms of the elements that we are trying to figure.

Senator MONDALE. Now, this good data that you received assures you that a family of two can live on $2,800 a year?

Mr. OTTINA. I am sure there are many families who live on $2,500 a year.

Senator MONDALE. But is that the State of—$2,500 a year?

Mr. OTTINA. Would you like to discuss this?

Mr. VOIGT. The offsets are based on social security estimates which are updated annually.

Senator MONDALE. Well, the BLS says a family of four in an urban environment needs what—$4,000—to live? And that is below the starvation level.

Mr. OTTINA. I think it is about $4,300 in our proposed system on a family of four.

Senator MONDALE. $4,300. And you have a figure somewhere for $2,800.

Mr. VOIGT. $2,800 is for a family of two. We use $4,300 as an offset on a four-member family.

Senator MONDALE. Is that two children?

Mr. OTTINA. No. The total size of the family——

Senator MONDALE. Now, the same figure for BLS is $4,300. In other words, you are saying——

Mr. OTTINA. We are also, at the same time, taking into account in family size a student who is in the institution; we are taking his living costs into account.

Mr. OTTINA. Let me just elaborate on that point somewhat.

If we had four members in a family and one was attending post-secondary education, we would in the family offset include that student as one of four. So he would be in the offset calculation.

When we get into his cost of instruction, his living expenses would also be treated there. So that our treatment in some sense is generous.

Senator PELL. I hope that that witnesses will stay around.

What I see happening here is that the administration is reducing the amount of money for education using the schedule as a vehicle. We in the Congress face something of a dilemma, because if we reject the formula now, it will be even more difficult getting it funded for this coming academic year. Yet when we drafted the legislation the estimate of the cost of this program was $1.2 billion, now it is a great deal less.

If I am incorrect on this, I would appreciate your reaction.

Mr. OTTINA. There is one significant change that has occurred between the two estimates you described; that is the reduction due to the treatment of the veterans and social security educational benefits. That difference reduced the estimate of the total amount.

Senator PELL. Well, even taking that into account, would that account for the difference.

Mr. OTTINA. We would be pleased to provide an answer to that question.

Senator MONDALE. We didn't say—we didn't prescribe any particular treatment for either veterans or social security.

Mr. OTTINA. Gentlemen, this is an estimate between $1.2 billion and $959 million, or a $241 million difference.

Senator MONDALE. What we said is that half the veterans pay would be treated as income, and all the social security—the difference is you are treating it as a contribution for students.

Senator PELL. There is a difference here. Anyway, this could be held as the interpretation, which could be wrong. You are interpreting it one way; we understood it another way. And perhaps, because you have different budget limits you have to interpret these things tightly; and this is where we disagree with you.

Mr. OTTINA. Again, the difference in the estimate is only $241 million, so that it isn't that $600 million that I thought we were referring to.

Senator PELL. I thought it was $1.2 million, which was originally in here. He said $600 million.

Mr. OTTINA. The $622 million is acknowledged not to be full funding. The $959 million is the amount that we are under this formula projecting as being full funding.

Senator PELL. Right. And your intention for next year, would be the full funding?

Mr. OTTINA. Yes, sir.

Senator PELL. But, of course, ours is also based on the viability of the other programs; the other ones must be continued.

Senator MONDALE. Mr. Hawk points out that about half the children of small businessmen in Minnesota will also be ineligible. They have assets theoretically, but not actually. And if they don't have them, they can't produce an income.

I would ask Mr. Hawk if he would give us an analysis. But if this works out the way this is supposed to—if it works out the way this thing is proposed, I think the people of Minnesota are going to say, "Senator, never help us again. We can't afford it."

Senator PELL. Thank you.

Will Mr. Richard Hawk, executive director, Minnesota Higher Education Coordinating Commission, please come forward.

Senator MONDALE. Thank you very much, Mr. Chairman. I do apologize but I did want to personally introduce our next witness, Mr. Richard Hawk, who is one of our most gifted educational thinkers in Minnesota and is executive director of the Minnesota Higher Education Coordinating Commission.

I think Minnesota last year was the only State which had the whole range of higher education and vocational education boards in a single panel before the subcommittee and Mr. Hawk was responsible for that. I think he did a very excellent job of helping raise the fundamental policy questions which were posed.

Senator PELL. Perhaps you would like to summarize your testimony, because some of it has already been ably summarized by the Senator from Minnesota.

STATEMENT OF RICHARD HAWK, EXECUTIVE DIRECTOR, MINNESOTA HIGHER EDUCATION COORDINATING COMMISSION

Mr. HAWK. Mr. Chairman, Senator Mondale, thank you very much for this opportunity. I could not begin this testimony without commending you—each of you individually, and the members of this committee as a group—for the excellent program which you authorized in establishing the BEOG legislation.

I will at your suggestion, Mr. Chairman, just summarize my testimony and make some references to it.

Senator PELL. The full statement will be in the record.

Mr. HAWK. Thank you very much.

The way in which one views the BEOG guidelines is to some extent related to the anticipation with respect to funding for additional Federal student aid programs. If indeed we are to have adequate funding for student aid through other means, then it seems that a very stringent approach to determining the family contribution, hence the amount of the award which might be available to a student, might be appropriate.

If we are to assume that BEOG is to be the total or the major program for providing assistance to permit students of this Nation, regardless of their socioeconomic status, to pursue education beyond high school, then it is essential that the formula which is used for determining the parental contribution be adequate for all people from all occupations who need assistance for postsecondary education.

Senator Mondale has alluded to some of the concerns which we have in Minnesota. I should say that the guidelines are not all bad. The people in the U.S. Office of Education have done an excellent job in attempting to come forth with a system which is sufficiently simple that it can be managed on a national level; and they have provided an important service by proposing standards and definitions in areas which, because of varying definitions, have been problems to the student-aid community for some time.

We do, however, further believe that, if the guidelines are implemented in the present form, the full potential of this program will not be realized—and let me just suggest the problems that we see.

First of all, we don't see an appeals procedure for the student whose family or financial situation changes dramatically between the base year—which would be 1972 for an applicant applying for 1973–74—and the year in which the student will be enrolled. It seems to us there ought to be some provision for the student who is in a situation where he loses his father through death or the father loses his job, or some other unpredictable event occurs, which causes the previously submitted financial information not to be representative of available resources.

Second, we feel that the proposed procedure for evaluating family assets, as has been discussed here today, would effectively preclude aid to a majority of students from rural America who are involved in farming operations, and a considerable number of those who are involved in small retailing establishments with a valuable inventory and such equipment as is necessary for earning a basic living.

Third, it seems to us, the proposed guidelines suggest an ability to contribute from both income and assets, which is not realistic when compared with other needs analysis procedures currently in use. The comparative example presented in table II of my prepared statement reveals that the contributions which are suggested for families under the proposed BEOG guidelines are an overexpectation of the amount of resources which can be devoted to supporting a student in postsecondary education after basic family living expenses are met.

Finally, I would reiterate the point that, as family size increases, the difference in contribution expected by the proposed procedure increases when compared to the ACT and CSS procedures. We are very much concerned about this because of the tendency for families with large numbers of students to be concentrated at the lower end of the income distribution.

Therefore, Mr. Chairman, my specific recommendations are, first of all, that an appeals procedure be incorporated into the proposed BEOG process to accommodate sudden financial changes for individual students;

Second, the evaluation of family assets should be modified to prevent the systematic exclusion of low-income farmers and small business owners from the BEOG program;

Third, the family-size offset should be adjusted upward to more realistically represent the living expenses of larger families and to provide a more accurate assessment of parents' ability to pay regardless of family size.

Finally, I would urge this committee to encourage timely implementation of the BEOG program, to seek adequate funding for this program, and to continue to strive for adequate funding for other Federal student aid programs.

Senator PELL. I would like to ask you a very tactical question. We in the Congress accept that the administration may take budget priorities with which we strongly disagree.

Is the way to fight this to change the formula or to get the whole priority changed?

In that regard, if we reject this formula, which we have the power to do, and ask for a new formula, could the program really be able to get rolling for this coming academic year? With this formula, imperfect as it is, unfair as it is as far as retail business people go at least we will be able to get going. We will also attempt to make sure that the administration, a law-and-order administration, follows the law and keeps the other programs in effect.

Mr. HAWK. Senator, you have identified the predicament which Congress finds itself in very well. Your judgment with respect to what is possible in terms of accomplishment in the Congress is better than mine.

I think you have correctly identified what needs to be done. If BEOG is to be the sole or the major program, it would seem to me that the guidelines have to be changed. If in your judgment the Congress can move forward with adequate funding for other student-aid programs, then I think this problem is less severe.

If BEOG is to be used as a base for meeting needs and you have adequate funding for other programs, students who do not qualify under BEOG could be accommodated under the other programs.

I think the unfortunate thing, Mr. Chairman, would be if you were to accept these guidelines and then not achieve adequate funding for the other student-aid programs.

Senator MONDALE. You have heard the administration's witness and, assuming the administration's budget, along with the BEOG and CSS programs, do you—is it your opinion that these farm children and small businessmen's children could make arrangements otherwise for student aid?

Mr. HAWK. Let me make this very clear: If the BEOG program were the only program, or the only program with any significant amount of money, then we have a very severe problem with the present guidelines. There is not another source to accommodate some of the people who would not be adequately accommodated under this program.

Senator MONDALE. This would dramatically and adversely affect young men and women from large families and families of small businessmen?

Mr. HAWK. Particularly those whom you mention, but it is our judgment that the guidelines are pretty stringent for all students.

Senator MONDALE. Let me get to the question of the size of the family.

You testified directly that this does not, in your judgment, actually reflect the cost of raising a large family. Do you agree to that?

Mr. HAWK. Yes, sir.

Senator MONDALE. Would you submit, I would say rather quickly, by letter, what you would propose by way of an alternative plan to meet the objections that you have made?

Mr. HAWK. We will be happy to do so.

[The information subsequently supplied follows:]

Supplement to the

STATEMENT BY RICHARD C. HAWK, EXECUTIVE DIRECTOR
MINNESOTA HIGHER EDUCATION COORDINATING COMMISSION

Prepared for the United States Senate Education Subcommittee

February 22, 1973

My testimony recommends three modifications to the proposed BEOG guidelines:

(1) An appeal procedure should be incorporated into the proposed BEOG program to accommodate sudden financial changes for individual students.

(2) The evaluation of family assets should be modified to prevent the systematic exclusion of low income farmers and small business owners from the BEOG Program.

(3) The Family Size Offsets should be adjusted upward to more realistically represent the living expenses of larger families to provide a more accurate assessment of parents' ability to pay regardless of the family size.

Since the U. S. Office of Education is developing an appeal procedure for the BEOG Program, this statement will describe specific procedures for accomplishing the latter two recommendations.

Procedures proposed by the U. S. Office of Education for deriving a composite estimate of a family's ability to contribute toward educational costs treat income and net assets independently. Exclusive consideration of these two elements of a family's financial strength may, and often does, result in gross inequities in the computation of Expected Family Contributions. The financial strength of families varies by (1) the level of disposable income, (2) the amount and nature of net assets, and (3) family size. A change in any of these factors significantly affects a family's ability to meet basic maintenance and other costs.

A need assessment procedure, even in a simplistic form, should include and consider these related factors simultaneously. Computation procedures based on these principles have been validated by economists and demonstrate that when net assets are considered together with income level, the distribution of families by order of financial strength varies considerably from the distributions obtained when income and net assets are considered exclusively.*

When current income is less than that required to provide for basic maintenance of the family, net asset resources would be utilized and thereby reduced to enable the family to meet day to day expenses. Consequently, a family's ability to contribute toward educational costs from its stock of net assets should be diminished in direct proportion to its income deficiency. Therefore, when family income is below the level of basic maintenance requirements, the negative expectation from income should be used to reduce the positive expectation from net asset resources. That proportion of net asset resources required to supplement income to provide for basic maintenance should not be "taxed" to obtain an index of the family's ability to contribute toward educational costs. The "tax" on discretionary income must, therefore, take into consideration the element of income deficiency (negative discretionary income) as well as the positive. Each of the examples which follow illustrate the principle of offsetting negative expectations from income with expectations from net assets. The net effect of this procedure is to consider the income and assets of the family together and to minimize the extent to which low income farmers with large capital assets would be systematically excluded from the BEOG Program.

An additional adjustment to the treatment of assets should be made to more adequately reflect the potential drain on the Asset Reserve provided in the regulations. Both the income and net assets of a family are measures of its

*Weisbrod, B.A. and Hanson, W.G.,"An Income - Net Worth Approach to Measuring Economic Welfare." The American Economic Review. December, 1968. pp. 1315-1329 financial strength. Both the flow and the stock of economic goods can support current consumption. Assessment of a family's ability to pay for education must consider both of these resource elements. Given a level of income and a stock of economic goods, a family's ability to provide for education expenses will vary with the number in the family unit requiring support.

The function of an asset reserve is to provide for basic maintenance of the family unit in the event of unforeseen emergencies, e.g., temporal unemployment, unusual medical expenses during prolonged illness, losses from catastrophies or in the case of death of a member of the family, for burial expenses.

Just as a proportion of family income, varying by family size, must provide for current maintenance expenses at a minimal level, so must a proportion of net assets be reserved to provide a financial resource for emergencies. The need for such reserves is directly related to the number of members in the family. The larger the family, the greater the potential for disaster as a consequence of unusual events. Therefore, the amount of the Asset Reserve should relate to family size similarly to that proportion of family income required to provide for basic maintenance for each member of the family unit. On the average, to provide equitable consideration for family size, it is fair and reasonable that the Asset Reserve should provide a financial resource approximating two units of current income required to provide for basic maintenance as proposed in Table I.

Table I. Proposed Net Asset Reserve by Family Size

Family Size	Reserve	Differential
2 (1 p, 2 ch)	7,500	
3 (2 p, 1 ch)	9,000	1,500
4	10,500	1,500
5	12,000	1,500
6	13,500	1,500
7	15,000	1,500
8	16,500	1,500
9	18,000	1,500
10	19,500	1,500
11	21,000	1,500
12	22,500	1,500

The other problem in the proposed regulation relates to the unrealistic contribution expected from family income, particularly from the income of large families.

The Family Size Offsets are, as pointed out in my testimony, quite small and the increments for additional family members appear to have little relation to the increment in expenses that a family would actually experience from adding another member to the family.

Alternative Family Size Offsets are provided below in Table II. Even though they are derived from a low standard of living budget, the allowances for family living expenses are considerably above those contained in the proposed regulations, and they provide Family Size Offsets that more realistically represent the expenses families would encounter from an additional family member.

Table II. A Comparison of Family Size Offsets for the Family Contribution Schedule for the BECG Program

Family Members	Family Size Offsets Contained in the Guidelines	Differential	Alternative Family Size Increments	Differential
2	$2,800	-	$ 2,800	-
3	3,350	$550	3,950	$1,150
4	4,300	950	5,310	1,360
5	5,050	750	6,420	1,110
6	5,700	700	7,380	960
7	6,300	600	8,120	740
8	7,000	700	8,780	660
9	7,700	700	9,440	600
10	8,400	700	10,100	660
11	9,100	700	10,760	660
12	9,800	700	11,420	660

The Alternative Family Size Offsets are those used in the need analysis system of the American College Testing Program. (For a detailed explanation of the derivation of these Offsets see the American College Testing Program, 1972 Revisions in the ACT Student Need Analysis Service, Iowa City, Iowa, 1972, pp. 10-16.

It should be emphasized that these alternative Family Size Offsets are not derived from a budget that allows liberal living expenses for the family. Rather, they are derived from the consumption expenditures, adjusted to December 1971, that the Bureau of Labor Statistics identified as associated with a low standard of living in the United States. They represent an approximation of the basic expenses required to maintain a family at a living standard that is above the poverty level but considerably below the living standard experienced by a family living at the median family income level. (By comparison, the consumption expenditures from the BLS moderate budget would be approximately 59 percent higher and for the BLS high standard of living budget they would be 105 percent higher.)

The three modifications proposed above are responsive to the recommendations made when I testified before your committee; their adoption would provide for more equitable treatment of students under the BEOG Program. By considering assets and income together, applying the concept of negative discretionary income, low income farmers will not automatically be excluded from the BEOG Program. Similarly, the graduation of the Asset Reserve by size of family would provide more equitable assessment of the contribution that can be provided from family assets by recognizing that the potential drain on assets and the ability of families to accumulate assets are both directly affected by the size of the family. Finally, the Alternative Family Size Offsets indicated in Table II would result in more realistic expectations from family income when actual expenditures required to maintain larger families are given proper consideration.

For your convenience and information, I have attached a comparison, for selected cases, of the expected contribution that would be produced by the procedure outlined in the regulations and by the procedures as they would be modified by proposals outlined in this statement. I should add that each of the modifications I have proposed could be easily accommodated in the procedure contained in the regulations without changing the data collection instrument or the calculation schedule.

Senator MONDALE. I would suggest that you send a copy of that to the administration to see if they can't amend their plan to reflect the problems that we face in Minnesota. I think if this proposal in its present form hits the Senate floor, even if we approve it, and I hope we don't even then, I don't think the Senate will accept it.

I don't know how you are going to go home and say we have got a new student assistance program here that cuts out the children of small businessmen and farmers. I don't think it makes good sense.

Senator PELL. I would like to ask Mr. Ottina if he would submit to us for the record what the grant would be under the ACT estimated formula and the CSS formula—and they are the examples that you used—what that would come out at?

In addition, I would like to ask him a direct question.

How amendable is your present formula, without legislation, for this committee believes very strongly indeed that you misinterpreted the meaning of veterans and social security income as a component of income?

Mr. OTTINA. Do you want me—may I be heard?

Senator PELL. Yes. Please.

Mr. OTTINA. Let me just comment that, first of all, we are going to have an appeals procedure for drafting changes; that will be coming out in the second or third set of regulations and that will be shortly distributed.

To your question, specifically, we have submitted to you our proposal, our best estimate, and our best judgment on many factors which are, at best, subjective. We will quote data wherever possible to try to come forth with a good proposal. Very clearly, that proposal is for your consideration and the Congress consideration; and, under the law, you have the right to reject it and the right to comment on what the basis of that rejection is and, by the same law, we are required within 15 days to respond to you.

Certainly many of the items that are involved are not of law, but a question of justice. And I think particularly we would need to await your judgment.

Senator PELL. Thank you, sir.

Our next witness is Mr. Richard Tombaugh, National Association of Student Financial Aid Administrators.

I thank you for waiting and am very sorry for the delay.

STATEMENT OF RICHARD L. TOMBAUGH, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. TOMBAUGH. That is all right, Mr. Chairman.

Mr. Chairman, I would like first of all to endorse the statements of the previous witness, because I think they are very cogent things that I want to express in my testimony.

We appreciate the opportunity to provide our observations regarding the proposed rules respecting the family-contribution schedule for basic educational opportunity grants. As you know, those proposals were made public on February 2. Our association decided not to distribute the proposed rules to the membership after learning that the Office of Education was planning to provide a copy to each institution.

Unfortunately, we have recently discovered that the Office of Education mailing went to the institutional presidents, and as a result many financial-aid officers have not yet seen the proposals, much less had the opportunity to evaluate their impact upon the students at that institution. We felt, however, that a prompt response was necessary, even on incomplete returns, if the needed congressional approvals are to be given in time for this program to be operational by the coming academic year.

As a profession, we would have preferred the use of one or both of the existing national need-analysis methods for computing the family contribution for BEOG. Our reasons are twofold:

First, the expected contributions derived by the existing methods, at least at the economic levels to be served by this program, have been refined over the years and are found to be reasonable and practical for most families. In fact, the two national services, at the urging of the Office of Education, have worked jointly to reduce previously existing deviation of results in order to provide a high order of consistency for Federal programs.

Second, the use of existing methods, would have been far less confusing to the students and their families, who will now be confronted with two "family contributions," one for basic grants and another for other programs. While it appears that the results will not be greatly different, at least in the majority of cases there will be variation and it will be confusing. Nevertheless, the Office of Education has gone ahead with a new method specifically for basic grants, and we must address ourselves to that proposition.

Our association supports the attempts of the Office of Education to make the method of computing family contribution as simple and uncluttered as possible. Such simplicity is necessary if the determination is to be made totally objective and meet the apparent intent of the Congress to have a program with maximum consistency from student to student.

We have had the opportunity to consult with the Office of Education about the family-contribution method from time to time and have been aware of the general approach they have taken. We are pleased to see that a number of suggestions offered by our association, and perhaps others, have been incorporated into the proposed rules. While there are several elements of this proposed method which we as aid officers would prefer to have handled in a different manner, timing is so important and critical to this program that we do not wish to delay approval by suggestion of extensive modifications. However, there are some basic concerns about the proposal which we feel are worthy of full consideration because of the potential impact upon the most needy individuals.

The greatest concern we have about the proposed rules is the treatment of social security benefits as a direct and total resource of the student. I realize that such a statement may be more appropriately addressed to the legislation itself, rather than the proposed rules. However, there would seem to be some way for the Office of Education to respond if the intent of the Congress was found to be different than has been assumed by this proposal.

The Office of Education has assumed that the authorizing legislation intends that 100 percent of the student's social security benefits is to be directly subtracted from the potential maximum award of $1,400, regardless of the financial circumstances of the family. This treatment overlooks two important considerations:

First, in low-income families, the social security benefits are badly needed to maintain the family home, even when the student is in school.

Second, in larger families, a maximum benefit is reached and may not be affected by the student's attendance in school.

Thus, no definite amount can be directly attributable to the student's enrollment. If not in conflict with the intent of Congress, the problem could most effectively be resolved by providing for a negative figure in discretionary income and adding the student's effective income to that of the parents, at least until $1 of discretionary income resulted, with any remainder of the student's effective income going directly against the maximum grant.

In other words, this proposes that the family that did not have sufficient resources of their own to even support themselves at the very minimal levels provided in the regulations to have a supplement coming from that social security benefit that would allow them to at least maintain themselves.

In the event that the Congress did not anticipate this problem and feels that such a treatment by the Office of Education would be in violation of the legislation, I suppose I have just testified for a legislative change at some point in the future. I am not similarly concerned about the treatment of veterans benefits, as the Congress has been more generous in their exclusion of the first 50 percent. In fact, the same treatment for both types of benefits would have been well justified.

The other potential source of major objection to the proposed rule is the treatment of assets, which calls for taxation of all net assets over $7,500 at the rate of 5 percent. And we have had a lot of discussion about that already this morning. This is a more strenuous taxation than is currently utilized in need analysis and will cause significant variation in resultant family contributions where assets are involved.

While it is quite true that the family is not being required to actually convert those assets to a cash payment, such an assessment then forces a larger contribution to be made from current income. If the family already has an absence of discretionary income, which is not now proposed to be carried as a naked figure, the asset assessment has no alternative source. If those assets are additionally nonliquid, the family-contribution expectation is certainly not a reasonable one.

To protect against unreasonable taxation of assets when no discretionary income is available to finance an asset contribution in the event the assets are nonliquid, I would propose that a negative discretionary income figure be incorporated. In that way, any contribution from assets could "backfill," so to speak, the absence of discretionary income. When discretionary income reaches $1, the remaining asset contribution is utilized fully.

When discretionary income exists, or where a substantial portion of the assets are of a liquid nature, the 5-percent assessment may not be unreasonable. However, it will eliminate, as has been pointed out by several witnesses this morning, a good many current educational opportunity grant recipients whose families are self-employed from the eligible ranks for BEOG.

I have attached to my testimony a brief summary of the effect of the proposed rules upon 25 of the current EOG recipients at my institution. These are not selected cases, but a segment of an alphabetical listing. When institutional costs exceed $2,800, as mine do, and therefore the one-half-of-cost limitations are not operative, the effects of the proposed rules appear to be minimal. Only those cases involving social security or substantial assets seem to be hurt by the BOG computations.

In conclusion, Mr. Chairman, I would be remiss if I did not indicate that these conclusions have been drawn from the potential impact upon the students at a particular institution with a student body composition that may not be representative. My colleagues in other types of institutions may find different results when they have the chance to evaluate the proposals more thoroughly. There is no suitable way to test the impact except by usage. Therefore, I hope that the changes indicated above can be made and prop sed rules approved by the Congress rapidly.

I would be pleased, Mr. Chairman, to answer any questions the subcommittee might have.

I would point out on the chart which follows, Mr. Chairman, that the BOG size, indicated on the right-hand column, is based on the assumption that there is less than full funding; and so the grants have been reduced by the formula, the percentages that are incorporated into the legislation. The first set of reductions, in other words.

Senator PELL. Thank you very much for your testimony.

Mr. Ottina is going to have to leave for an appearance on the House side, and before he goes I want to again thank you for the presentation today. While we didn't agree with some of your formula, and also take some umbrage to the delay, the time it is taking to move ahead this way, we do appreciate your appearance. And I would just hope that as time goes on it could be made more applicable, if that is possible.

I would just like to say that, if the Congress moves ahead and, recognizing the lack in this formula, we may seek to fund all the student-assistance programs. Are there procedures to implement such funding?

Mr. OTTINA. Our present pattern carries those activities through the—we are building up the staff that is to administer the BOG program currently; on the first of July 1973, we would reduce and eliminate the staff of the other program.

Thank you very much.

Senator PELL. Thank you very much for being here.

Now, in connection with your own suggestions this morning, do you see how student-aid administrators can themselves help in simplifying the program?

Mr. TOMBAUGH. Well, it is very difficult to have a simplistic approach to this and still provide a fair and equitable treatment that the Senate and the House are both concerned about; and when we simplify it overly, then you have even more of these inequities that have been pointed out between the different kinds of living situations; that is, the size of the family, and that type thing.

I am not sure that it would be greatly simplified over what the Office of Education has already done. In fact, I think some of the changes that need to be made, to make it more equitable, in fact complicate it perhaps to some degree. But I think what one previous witness said is so very important: that, if this is to be the major source of student aid, then we are headed for a serious problem with regard to truly needy students who just don't fall within the framework of these regulations.

If it is not to be and the existing programs are to be funded at an adequate level, then those who are left out of this program can be taken care of and done so in an equitable fashion. But I think that is a very critical assumption that has to go along with any approval of this set of regulations, if it is to be done.

Senator PELL. Thank you. Thank you very much for being here this morning.

Our final witness is Mr. James Bowman, the director of the financial aid student services, educational testing services.

STATEMENT OF JAMES L. BOWMAN, DIRECTOR, FINANCIAL AID STUDIES AND PROGRAMS, EDUCATIONAL TESTING SERVICE, PRINCETON, N.J.

Mr. BOWMAN. Mr. Chairman, I appreciate the opportunity to provide my observations regarding the proposed rules respecting the family-contribution schedule for the basic educational opportunity grants.

At the outset, I must say that I appear before the subcommittee not as a repesentative of the educational testing service but more in the area of an expert witness on means of determining family ability to pay for postsecondary education.

My field is economics and I previously served as the director of financial aid, at the John Hopkins University. For the last decade, I have served as the principal economic consultant and architect of changes in one of the national need-analysis systems.

Most recently, my work has been assisting several Latin American student-aid programs in the development of a model to measure economic well-being and the need for State subsidy.

The proposed rules respecting the family contribution schedule for basic educational opportunity grants as developed by the Office of Education provide a relatively simply objective and workable method of measuring family eligibility for basic grant assistance. As such, it provides for a system that can determine grant eligibility with maximum consistency from student to student. I would urge their adoption at this time in order that the program can move forward.

In considering the proposed rules, it should be kept in mind that analysis of economic well-being is not a static condition—on the contrary, systems are quite evolutionary and responsive to changes in the underlying economic variables.

Within the national need-analysis systems, changes and refinements occur almost yearly, reflecting changes in the economy and the student clientele that they tend to serve.

I see no reason why the proposed rules cannot be seen as a first approximation of measuring basic grant eligibility and subject to change and refinement in the future as more information is developed about the student and his family through actual experience of the basic educational opportunity grant program. The following suggestions are refinements of the proposed rules that should be given serious consideration in subsequent years:

Concern has been expressed with respect to certain of the rules—namely, the family contribution expected from low-income families, the treatment of assets, and the provisions in the law on the treatment of social security benefits.

I would like to address myself to these areas—keeping in mind that the proposed rules have been developed to determine on an equitable basis the eligibility of students for basic grants and not to determine family ability to pay for postsecondary education, which is, of course, the function of existing need-analysis systems.

Except for lowest income families, the proposed family-contribution schedule approximates the contribution expected by the national systems. This, of course, primarily results from the use of a weighted average threshold at the low-income level as developed by the Social Security Administration. Low-income families could benefit more in the future if, like the national systems, the proposed schedule were to incorporate what we call negative contributions. The negative contribution recognizes that as family income decreases families are dissimilar and should be treated unequally.

Greater equity, I feel, could be established in the proposed rules if consideration were given to incorporation of a "negative contribution" rate in the family-contribution schedule. This, of course, could be utilized in two ways:

Ideally, recognition should be given to the special budget needs of students from low socioeconomic families, and in particular those students from minority backgrounds.

In these cases, the institutional budgets would be raised to the extent of the negative contribution. This would recognize not only explicit costs of college attendance for these students, but also the implicit costs to these families.

As an alternative, where the implicit costs cannot be financially recognized, due to lack of funds or policy, the negative-contribution curve would serve as a ranking device for existing funds. In such cases, students from low-income backgrounds would have a greater indicated need for financial assistance and would receive priority in the allocation of public-sector funds.

Another area of concern relates to the proposed rule in the treatment of assets or more appropriately the treatment of net worth in determining the family contribution.

It has been pointed out by Mr. Tombaugh that the taxation of net worth over $7,500 at the rate of 5 percent is a more strenuous taxation than currently utilized in the national need-analysis services and where net worth is nonliquid, the family-contribution expectation is not a reasonable one.

In measuring economic well-being for determining eligibility for basic grant assistance—as contrasted to measuring ability to make a cash contribution toward the payment of postsecondary educational costs—a dollar of assets must be considered to be a dollar of assets; to do otherwise would be to violate one of the basic canons in taxation theory—that persons equally situated should be equally treated. Ceteris paribus, a family with a $10,000 income and $10,000 in home equity has the same relative economic well-being as a similar family with $10,000 income and $10,000 in assets. In terms of measuring basic grant eligibility they should be treated the same, and that is what the proposed rules purport to do. As I have pointed out in a recent paper for discussion by the financial aid community:

> However, it must be recognized that the computed expectation of what a family ought to be able to contribute and its ready ability to make cash payments at a particular time may not necessarily coincide. Much depends on the liquidity of family assets and current commitments against family income that were not recognized in the derivation of ability to pay.
>
> The expected contribution computed on the basis of a proper measure of resources and expectations may therefore exceed a family's accessible resources, both from liquid assets and current income. Such a situation ought not to be used, however, as a justification for reducing the parents expected contribution. Rather, it should be seen for what it is—a timing problem rather than a real need for subsidized assistance.
>
> It would justify the recommendation of a long-term loan to cover the difference between what the family could realistically pay out of current income and liquid assets and that expected contribution derived under the national standard of ability to pay.

I feel that the comments expressed in this previous paper have equal viability for the basic grants program. Timing of cash receipts and the liquidity of assets should not be considered in measuring economic well-being for determining eligibility.

The final area of concern that I would like to touch upon has to do with the proposed treatment of social security student benefits.

I am in accord with the position taken by the National Association of Student Financial Aid Administrators that in many low-income families the social security benefits are badly needed to maintain the family home, even when the student is in school. Indeed, data from the Social Security Administration would indicate that almost 95 percent of the payments attributable to student beneficiaries are paid as part of the family benefit check and not directly to the student.

At the current time, many financial-aid administrators and State scholarship programs recognize this factor by considering social security benefits as family income or direct benefits, depending on the income level of the family.

I would like to suggest a means of recognizing different treatment of social security benefits based upon the economic conditions of the family, but suited to the basic rationale of the proposed eligibility criteria. The proposal is basically this—to the extent that the family-size offset is greater than the income from wages, salaries, et cetera, the social security benefit would be considered family income. To the extent that the social security benefit exceed the family-size offset, it would be treated as student income.

The effect of this is to allow the family-size offset to be met in all cases.

First, from regular family income; second, from social security student benefits if the first is not sufficient.

Alternatively, the proposal can be looked upon as saying that social security student benefits should go entirely into education only if family needs are first met—just as the proposed rules say that parents' wages should go into family needs before they are taxed for educational expenses.

I have attached a table that shows the effect of a $600 social security payment for students whose parents earn zero, $3,500, $4,000, and $6,000, both under the proposed rules and the alternative proposal presented here. The results, basically, are:

One, social security is taxed at 100 percent for all families above $4,300 in income;

Two, social security is not taxed at all for incomes below $4,300 minus the social security benefit; and

Three, social security is taxed at a fractional rate in the income range between $4,300 minus social security and the family-size offset of $4,300.

In general, the proposed approach provides that student benefits under social security are considered family income if the family cannot make enough to live at the low living standard—it is student income above that level.

Mr. Chairman, I thank you for the opportunity to make these remarks and would be pleased to try to answer any questions that the subcommittee might have.

(The table referred to follows:)

COMPARATIVE TREATMENT OF SOCIAL SECURITY BENEFITS

	Under OE Proposed Rules				Under Alternative Proposal			
Wages, interest, salaries, etc.	$0	$3,500	$4,000	$6,000	$0	$3,500	$4,000	$6,000
Family offset	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Discretionary Income	0	0	0	1,700	0	0	0	1,000
Family Contribution	0	0	0	340	0	0	0	340
Social Security Contribution	600	600	600	600	0	0	300	600
Total Contribution	$ 600	$600	$600	$ 940	$0	$0	$ 300	$ 940

NB: Based upon four person family with assumed social security student benefit of $600.

Senator PELL. Do you think that a family farm should be included within family assets. What are your views on that?

Mr. BOWMAN. Yes, I do, Senator. I am very much in favor of the concept that a dollar of assets is a dollar of assets. In both the existing national systems, farm assets as well as business assets are considered along with other family assets.

Senator PELL. What about the dictum that Senator Mondale mentioned, that a family has a $3,500 income on a $35,000 farm, but they need that farm in order to produce the income they have?

Mr. BOWMAN. I recognize the problem that Senator Mondale has posed in the question, Senator Pell. My feeling is that the possession of a $35,000 farm, even though income is being derived from it, presupposes a measure of economic stability or well-being; that perhaps should not be subsidized by grant assistance of this nature. I think what we should consider is that the proposed rule measures grant eligibility and not financial need.

There are, of course, other Federal programs; there are State programs; there are institutional funds which would lend themselves to meeting financial need.

I might say that part of the problem which is posed within the proposed rules, Senator, comes about from looking at separate contributions totals from income and from assets, whereas the national programs tend to convert a portion of assets into income—so that total financial strength is measured.

We would not treat the fact that it was $35,000 in farmland or $35,000 in bonds any differently in terms of measuring the contribution toward educational costs, although the liquidity is certainly different.

Senator PELL. As regards liquidity, $35,000 in bonds actually produces income; a $35,000 farm is not producing income.

Mr. BOWMAN. It is producing $3,500, though.

Senator PELL. Plus the farm-demands work.

Mr. BOWMAN. Yes; there is that to it.

Senator PELL. In bonds, there is not much work to it. [Laughter.]

Mr. BOWMAN. The income from the bonds would be considered along with the value of the bonds.

Senator PELL. But you would not consider the fact that there is work that is put into the farm, which means far more than the work that is put into the bonds.

Mr. BOWMAN. The imputation of the owner's wages is not considered; that is correct.

Senator PELL. Shouldn't they be?

Mr. BOWMAN. I think it would be very difficult.

Senator PELL. Historically, has the CSS always considered farm assets?

Mr. BOWMAN. It is currently considering farm assets or farms at estimated market value. Farm assets, within the national systems, are treated equally as with the proposed rules of the Office of Education.

The manner in which the expected contribution from those assets is derived is quite different.

Senator PELL. Is this then the same procedure that was always applied?

Mr. BOWMAN. No, it is not, Senator. Our procedures with respect to farm and business owners has varied considerably over the last decade. Prior to 1965, farm assets were considered at one-half their value, basically because of their illiquid nature and the fact that some portions of assets were necessary for income.

In 1965, one of the national systems adopted a new attitude, considering one-half of the farm's value less any outstanding indebtedness as an asset.

Subsequent to that procedure, we had a progressive schedule for measuring the availability of farm assets which tended to favor the very small farms.

Last year, this was changed on the recommendation of an economist at the University of North Carolina that liquidity should not be considered a proper basis for reducing economic strength in the case of farms and businesses, and we adopted beginning, I believe, last year, the utilization of the full net worth of the farm; that is, assets, less any outstanding debt to measure economic strength.

Senator PELL. Well, thank you.

Thank you very much for coming today, and in this case, for staying so long.

At this time I order printed in the record all statements and pertinent material submitted by persons unable to attend this hearing.

[The following information was subsequently supplied for the record:]

An Analysis of the Basic Educational Opportunity Grant Contribution Formula

Prepared by:

Richard Solomon, Director of Student Financial Aid
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The City University of New York wishes to take this opportunity to applaud the creation of a Basic Educational Opportunity Grants program (BOG), and to express our hope that the program may be operational at the earliest practicable time. We also commend the U.S. Office of Education for its sincere and thoughtful attempt to devise a fair schedule of family contributions under the BOG program.

However, a comparative analysis of the proposed BOG tables of family contribution with those of the College Scholarship Service (CSS) as applied to our institution discloses a number of deficiencies in the BOG formula, which most seriously affect CUNY students from the lowest income families.

Dependent Students

1. BOG allows only federal taxes to be subtracted from the family's gross income. State and local taxes should also be subtracted, as they considerably reduce the family's effective resources.
2. The BOG allowance for family size offset is lower and less realistic than that of CSS, especially for large families which are so often the neediest.

Page Two

3. The BOG formula allows a medical offset only for expenses in excess of 20% of income. The Internal Revenue Service allows itemization after 3% and CSS allows offset after 5%.
4. The BOG formula, unlike CSS, does not contain a negative income provision for families whose offsets against income exceed their income. In other words, under the BOG formula a family whose discretionary income is $500 less than zero is considered to be in exactly the same financial shape as a family with zero discretionary income. This is patently unfair. A family whose discretionary income is below zero, for example, should be allowed to use its assets to bring that income up to zero before taxing it for the family contribution.
5. It is completely justifiable to protect a portion ($7,500 under BOG) of a family's assets. However, CSS offers similar protection to a portion of the family income where there are insufficient assets. Under the proposed BOG formula, a middle-class family's assets are protected but the small monthly savings of a poorer family are not. This protection could be provided by an extra allowance against discretionary income for families who have not accrued assets.
6. The BOG formula works unfairly upon families with more than one member in college. Under CSS, if a family with two college students has $100 in discretionary income, 50% of that amount would be assessed as the family contribution for each student ($50 for one and $50 for the other). BOG, on the other hand, would require that same family to contribute 70% of $100, or $70 for each student. That makes the

family contribution ($70 for each student, or $140) higher than the discretionary income ($100) was computed to be in the first place! The BOG formula is probably based on an assumption that all college students live away from their homes, which certainly does not apply to most of the nearly quarter million students at CUNY's twenty campuses.

7. It is unreasonable to assess the total amount of Social Security benefits as a student resource, because in low-income families the Social Security benefits are used to maintain the entire family. It is recommended that the Office of Education re-examine its interpretation of Congressional intent, so as to allow these funds to be considered family income rather than a direct student resource.

Self-Supporting Students

The inequities of the BOG formula regarding state tax deductions (#1 above), family size offsets (#2) and negative income provisions (#3) apply with equal force to self-supporting students. In addition, it should be noted that:

1. There is no provision in the BOG formula for self-supporting students whose spouses are also enrolled in college. In such instances, it is recommended that the total family contribution be divided in half.
2. There is also no provision for a single, self-supporting student with dependents. The formula that is applied to married students with dependents should be applied to single students as well.

Page Four

We therefore respectfully urge the Committee to devote very careful consideration to these points before acting on the BOG family contribution schedule as it has been proposed by the U.S. Office of Education.

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Martin L. Lefkovits, Director of Student Financial Aids at the State University of New York, has asked us to report that he joins in this testimony on the basis of his own analysis of BOG's impact upon SUNY students.

National Association of State Scholarship Programs

February 12, 1973

Honorable Claiborne Pell
U. S. Senate
Washington, D. C. 20510

Dear Senator Pell:

As President of the National Association of State Scholarship Programs I wish to express the Association's request for a Congressional appropriation to fund the State Incentive Program for the 1974 fiscal year at the $50 million level authorized in the Higher Education Amendments of 1972. Funding of the State Incentive Program will directly enlarge educational opportunity for post-secondary students. We recognize, of course, that the advancement of such opportunity is fundamental to whatever final decisions Congress makes with respect to student financial assistance programs.

As members of an educational association and as individual taxpayers, we acknowledge the grave fiscal situation which the Congress faces and we also recognize that some reordering of priorities may be needed in support of higher education. The funding of the State Incentive Grant Program at $50 million is, however, an essential component in the student financial assistance programs; it will serve to stimulate the initiation of State student grant programs, where none now exist, as well as to encourage the growth of on-going State programs. The federal funds which are thereby directed to the State student aid programs will thus serve to provide some supplemental support to students in financial need.

Consistent with the intent of the Higher Education Amendments of 1972, the Association endorses the funding of the Basic Educational Opportunity Grant Program after appropriate funding of the College Work Study, National Direct Student Loan and Supplemental Educational Opportunity Programs. We recognize that a severe timing problem exists with respect to the implementation of the Basic Educational Opportunity Grant Program for 1973-74 but believe the Program is operable if funded within a relatively early period.

I am enclosing some material relative to the activity of the various State programs. The Association stands ready to be of service to Congress in its consideration of appropriations for the advancement of post-secondary educational opportunity for our students.

Sincerely,

Walter G. Hannahs

Walter G. Hannahs

WGH:bm
Enclosure

1972-73 UNDERGRADUATE COMPREHENSIVE STATE SCHOLARSHIP/GRANT PROGRAMS

State funded programs for financially needy undergraduate students of the state to attend either public or private institutions of higher learning or private institutions only, without the requirement of a specific vocational preparation, career choice, or military service related benefit.

NATIONAL ASSOCIATION OF STATE SCHOLARSHIP PROGRAMS
FOURTH ANNUAL SURVEY

September 1972

STATES OF

California	Kansas	New York	Texas
Connecticut	Maryland	Ohio	Vermont
Florida	Massachusetts	Oregon	Washington
Illinois	Michigan	Pennsylvania	West Virginia
Indiana	Minnesota	Rhode Island	Wisconsin
Iowa	New Jersey	Tennessee	

The following states have been reported to have passed enabling legislation for comprehensive programs but have received no funding and/or are awaiting legal opinions thus precluding the provision of 1972-73 academic year awards.

Kentucky
Missouri
Nebraska
New Hampshire
North Carolina
Oklahoma
South Carolina
Virginia

Total Number of 1972-73 Monetary Awards - 670,040
Total Dollars Appropriated for 1972-73 Awards - $334,509,466

By
Joseph D. Boyd
Executive Director
Illinois State Scholarship Commission
P. O. Box 607 Deerfield, Illinois 60015

TOTAL DOLLARS AND NUMBER OF AWARDS BY STATES FOR COMPREHENSIVE UNDERGRADUATE STATE (COMPETITIVE AND NONCOMPETITIVE) PROGRAMS OF FINANCIAL AID BASED UPON NEED FOR RESIDENTS OF THE STATE TO ATTEND EITHER PUBLIC OR NONPUBLIC COLLEGES OR UNIVERSITIES

Comparative Report
For 1970-71, 1971-72 and 1972-73 Academic Years

	TOTAL DOLLARS APPROPRIATED			PERCENTAGE OF TOTAL			RATIO OF DOLLARS TO 1970 POPULATION			NUMBER OF MONETARY AWARDS			PERCENTAGE OF TOTAL		
	1970-71	1971-72	1972-73	70-71	71-72	72-73	70-71	71-72	72-73	70-71	71-72	72-73	70-71	71-72	72-73
CALIFORNIA															
State Scholarships	13,800,000	16,245,134	23,426,305							15,914	20,201	24,353			
College Opportunity Grants	1,632,853	2,810,320	4,402,650							1,720	2,3?2	3,814			
CALIFORNIA TOTAL	15,432,853	19,055,454	27,828,955	6.76	6.93	8.58	.77	.96	1.39	17,634	22,593	28,167	3.29	3.64	4.20
CONNECTICUT															
State Scholarships (undergrad. only)	1,327,650	1,135,650	1,279,095							2,035	1,771	1,900			
Restricted Educational Achievement Grants	239,000	190,000	228,000							305	270	285			
College Continuation Grants	----	----	190,000							----	----	253			
CONNECTICUT TOTAL	1,566,650	1,325,650	1,697,095	.68	.48	.52	.52	.44	.56	2,340	2,041	2,438	.44	.33	.36
FLORIDA															
Regents Scholarships	1,250,000	600,000	500,000							800	600	500			
Student Assistance Grants	----	----	360,000							----	----	332			
FLORIDA TOTAL	1,250,000	600,000	860,000	.55	.21	.27	.18	.09	.13	800	600	832	.15	.10	.12
ILLINOIS															
Monetary Award Program	32,460,540	39,400,000	51,400,000	14.21	14.33	15.34	2.92	3.55	4.62	48,166	56,724	72,460	9.00	9.15	10.81
INDIANA															
Scholarship Program	3,140,000	6,857,280	8,080,884							6,853	9,597	10,990			
Educational Grants	----	500,000	750,000							----	630	945			
INDIANA TOTAL	3,140,000	7,357,280	8,830,884	1.37	2.68	2.72	.60	1.42	1.70	6,853	10,227	11,935	1.28	1.65	1.73
IOWA															
Scholarship Program	328,500	290,000	235,000							546	476	418			
Tuition Grant Program	3,000,000	4,000,000	4,000,000							3,536	4,739	4,700			
IOWA TOTAL	3,328,500	4,290,000	4,235,000	1.46	1.56	1.31	1.18	1.52	1.50	4,082	5,215	5,118	.76	.84	.76
KANSAS															
Scholarship Program	135,844	142,633	147,000				.06	.06	.07	300	305	305	.06	.05	.05
Tuition Grant Program	----	----	1,000,000							----	----	1,007			
KANSAS TOTAL	135,844	142,633	1,147,000	.06	.05	.35	.06	.06	.51	300	306	1,312	.06	.05	.20
MARYLAND															
Senatorial Scholarships	2,494,000	2,494,000	2,494,000							1,600	1,950	2,050			
General State Scholarships	256,500	513,000	769,500							450	475	500			
MARYLAND TOTAL	2,750,500	3,007,000	3,263,500	1.53	1.09	1.01	.70	.77	.83	2,250	2,425	2,550	.42	.39	.38
MASSACHUSETTS															
General Scholarships	3,500,000	8,000,000	8,000,000	1.20	2.91	2.47	.62	1.41	1.41	6,295	13,815	12,300	1.18	2.23	1.98
MICHIGAN															
Competitive Scholarship Program	7,465,000	7,976,850	8,166,000							15,565	16,628	16,200			
Tuition Grant Program[1]	5,000,000	5,098,510	5,660,000							7,885	7,890	7,900			
MICHIGAN TOTAL	12,465,000	13,065,360	13,826,000	5.46	4.75	4.26	1.40	1.47	1.56	23,450	24,518	24,100	4.38	3.95	3.60
MINNESOTA															
State Scholarship Program	875,000	1,590,000	2,500,000							1,313	2,412	4,100			
Grant-in-aid Program	600,000	1,040,000	2,200,000							1,043	1,437	3,275			
MINNESOTA TOTAL	1,475,000	2,630,000	4,700,000	.65	.95	1.45	.39	.69	1.24	2,356	3,849	7,375	.44	.62	1.??
NEW JERSEY															
State Scholarship Program	6,341,608	7,027,253	9,088,067							14,484	16,587	16,130			

Comparative Report Table - All States with Comprehensive Programs
Number of Dollars and Awards, Percentages, Ratio to 1970 Population
Page 2

	TOTAL DOLLARS APPROPRIATED			PERCENTAGE OF TOTAL			RATIO OF DOLLARS TO 1970 POPULATION			NUMBER OF MONETARY AWARDS			PERCENTAGE OF TOTAL		
	1970-71	1971-72	1972-73	70-71	71-72	72-73	70-71	71-72	72-73	70-71	71-72	72-73	70-71	71-72	72-73
NEW JERSEY (CONTINUED)															
Educational Incentive Grants	1,409,000	1,475,368	1,516,400							3,580	3,300	3,400			
Tuition Aid Grants	3,500,000	3,384,000	3,570,000							3,800	4,830	5,100			
County College Graduate Scholarships	199,668	286,400	313,000							414	531	650			
Educational Opportunity Fund	5,892,000	8,698,000	12,200,000							6,959	10,312	12,187			
NEW JERSEY TOTAL	17,333,276	20,871,021	25,697,467	7.59	7.59	7.92	2.42	2.91	3.58	29,277	35,530	37,467	5.47	5.73	5.59
NEW YORK															
Regents Scholarships[2]	28,700,000	28,700,000	32,200,000							73,400	73,400	75,600			
Scholar Incentive Awards	38,100,000	42,800,000	47,900,000							201,000	211,000	214,600			
NEW YORK TOTAL	66,800,000	71,500,000	80,100,000	29.25	26.00	24.68	3.67	3.93	4.40	274,400	284,400	290,200	51.26	45.87	43.31
OHIO															
Instructional Grants	8,500,000	15,000,000	16,000,000	3.72	5.46	4.93	.80	1.41	1.50	15,000	30,000	35,000	2.80	4.84	5.22
OREGON															
Need Grant Program	----	570,000	930,000							----	1,260	2,070			
Cash Award Program	166,000	250,000	250,000							390	456	457			
OREGON TOTAL	166,000	820,000	1,180,000	.07	.30	.36	.08	.39	.56	390	1,716	2,527	.07	.28	.38
PENNSYLVANIA															
State Scholarships	51,458,000	57,500,000	60,458,000	22.53	20.91	18.63	4.36	4.88	5.13	86,800	98,800	99,600	16.21	15.94	14.86
RHODE ISLAND															
State Scholarships	1,640,860	1,709,940	1,900,000	.72	.62	.59	1.73	1.80	2.00	2,423	2,489	2,386	.45	.40	.36
TENNESSEE															
Tuition Grant Program	----	----	1,200,000	----	----	.37	----	----	.31	----	----	1,900	----	----	.27
TEXAS															
Tuition Equalization Grants	----	1,000,000	3,000,000	----	.36	.92	----	.09	.26	----	2,500	7,500	----	.40	1.12
VERMONT															
Incentive Grant Program	1,310,000	2,391,429	2,505,000	.57	.87	.77	2.95	5.39	5.63	2,946	3,630	4,000	.55	.59	.60
WASHINGTON															
Need Grant Program	390,000	594,127	826,020							838	1,121	1,600			
Tuition Supplement Grants	----	845,455	854,545							----	8,514	8,545			
WASHINGTON TOTAL	390,000	1,439,582	1,680,565	.17	.52	.52	.11	.42	.49	838	9,635	10,145	.16	1.55	1.51
WEST VIRGINIA															
Scholarship Program	250,000	300,000	425,000	.11	.11	.13	.14	.17	.24	817	998	1,334	.15	.16	.20
WISCONSIN															
Tuition Grant Program	2,338,000	2,752,000	3,400,000							6,001	6,118	6,200			
Talent Incentive Program	----	----	485,000							----	----	500			
Honorary Scholarship Program	686,200	749,500	700,000							912	1,823	1,800			
WISCONSIN TOTAL	3,024,200	3,501,500	4,585,000	1.32	1.27	1.41	.68	.79	1.04	7,913	7,941	8,500	1.48	1.28	1.27
GRAND TOTALS	228,377,223	274,910,849	324,509,466	100.00	100.00	100.00	1.53[3]	1.84[3]	2.17[3]	535,330	619,952	670,046	100.00	100.00	100.00
Percent increase over previous year:		20%	18%					20%	18%		16%	8%			

[1]Program for both graduates and undergraduates; separate figures for undergraduates only not available. [2]One appropriation covers the major program of Regents College Scholarships as well as some scholarships for Medical/Dental/Osteopathy, War Service Scholarships, Child of Veteran Grants, and Basic Nursing Grants. Separate figures for Regents College Scholarships alone unavailable.
[3]Based on total population for 23 states with comprehensive programs. This represents 73.5% of total U. S. population, 1970.

MISCELLANEOUS SURVEY FINDINGS FOR 1972-73 COMPREHENSIVE STATE FINANCIAL AID PROGRAMS

Program	Administr. By: Gov. App.	Administr. By: St.Dept.Ed.	Administr. By: Bd.Higher Ed.	Date Awards Announced	Need Anal. System: ACT	Need Anal. System: CSS	Need Anal. System: Own	Honorary?	Maximum Award Value	Limit of 8 sem./12 quart.?	Limited to tuit.&fees?	Dollar Increments Below Maximum	Standard Self-Help Expect.?	Eligibility Requirements	Perm.res. w.alien no.?	Part-time Eligible?	Mid-year Transferable?	Year Awards Started
CALIFORNIA																		
State Scholarships	x			1st wk. April		x		No	$2000	Yes	Yes	$100	$400-$600[1]	SAT/ACT weighted equally, need, Calif. resid. under 30 yrs (renewals excluded), W.Assoc.SSC accredit.schls	Yes	No	Yes	1956-57
College Opportunity Grants	x			Mid-April			x	No	Up to $900 beyond tuition	Yes	No	NA	Varies with parent income	Many academic, personal criteria, need, be disadvantaged, Calif.resid.	Yes	No	Yes	1969-70
CONNECTICUT																		
State Scholarships	x			Fresh:mid-Apr Upperclass: mid-July		x		No	$1000	Yes	No	$50 incr. from $100 min.	No	U.S.citiz.or applying, Con.resid., SAT/rank-in-class weighted equally, financial need	No	Yes	No	1964
Restricted Educational Achieve. Grants	x			Early fall & early spring	Award recipients chosen by FAO's using various systems			No	$1000	No	No	None	No	Conn.resid., potentially capable but with restricted achievement due to econ., social, or environmental disadvantages; only approved degree grant. insctts in Conn.	No	Yes	Yes	1967
College Continuation Grants	x			Early fall & early spring	NA			No	$1000	No	No	None	No	Finan. need, maintain good academic achievement, Conn.resid., only in degree granting instics. in Conn.	No	Yes	Yes	1972
FLORIDA																		
Regents Scholarships		x		July 1	x &	x		Yes	$1200	Yes	Yes	$50 min. award	$200-$400[1]	Upper 10% Statewide Sr. Placement Test, 3.5 h.s.average, U.S.citiz., Fla. resid, demonstrated need	Yes	No	Yes	1968
Student Assistance Grants		x		Sept. 1, 1972 mid-May thereafter	x &	x		No	$1200	Yes	No	$200 min. award	$200-$400[1]	2-yr. Fla. resid, U.S. citiz., demonstrated financial need, academic promise	No	No	Yes	1972-73
ILLINOIS																		
Monetary Award Program	x			11/15, 12/15, 2/1 4/1, 6/1, 8/1, 9/15			x	Yes	$1200	Yes	Yes	$150 incr. from $150 minimum	$500-$1000 ½ coll. cost budget	Demonstrated need, U.S.citiz.or perm. resid, Ill.resid, at ISSC approved Ill.college for at least 2-year program; schl.accreditation unnecessary	Yes	No	Yes	1958-59
INDIANA																		
Scholarship Program	x			Freshmen: Feb. Renewals: April		x		Yes	$1400	Yes	Yes	$50 incr.	CSS	U.S.citiz., Ind. resid., good moral char., under 24 yrs., h.s.grad., superior capac. to profit from higher ed., financial need	No	No	Yes	1966-67
Educational Grants	x			Freshmen: July Renewals: June		x		No	$1400	No	Yes	$50 incr. from $100 minimum	CSS	U.S. citiz., Ind.resid., good moral char., under 24 yrs., h.s.grad., substantial financial need	No	No	Yes	1971-72
IOWA																		
Scholarship Program	Both programs: 9Mem.Comm:3 app. by Gov., 1 from St.Ed.Dept, 1 fr. Voc.Ed.Adv.Com., 1 fr.St.Bd.Reg., 3 legis. reps			April 15		x		Yes	$610	No	Yes	$100 incr.	CSS	U.S.citiz., Iowa resid., ACT/rank-in-class weighted, finan.need with higher acad. poc., other gift aid included in finan.resources	No	No	Yes	1965-66
Tuition Grant Program				April 15		x		No	$1000	Yes	Yes	NA	CSS	Financial need, Iowa resid., U.S. citiz., private Iowa colleges only	No	No	No	1969-70

1Varies with class and sex of applicant
NA=Not Answered or Not Available

MISCELLANEOUS SURVEY FINDINGS, Page 2

	Administr. By: Gov. App.	St.Dept.Ed.	Bd.Higher Ed.	Date Awards Announced	Need Anal. System: ACT	CSS	Own	Honorary?	Maximum Award Value	Limit of 8 sem./12 quart.?	Limited to tuit.&fees?	Dollar Increments Below Maximum	Standard Self-help Expect.?	Eligibility Requirements	Perm.res. w.alien no.?	Part-time Eligible?	Mid-year Transferable?	Year Awards Started
KANSAS																		
Scholarship Program		x		March 15	x &	x		Yes	NA	No	No	None	None	ACT or SAT, Kans.resid., finan.need, accredited Kans.coll.or univ., earn at least 12 sem.hrs.per sem.to renew	Yes	No	Yes	1963-64
Tuition Grant Program	x			NA	x			NA	$1000	NA	NA	NA	$450	For private colleges only	No	No	NA	1972-73
MARYLAND																		
Senatorial Scholarships	Both programs: independent state agency			May-July		x		No	$1500	Yes	No	$100 increm.	CSS	Residency, passing score on SAT, financial need	Yes	No	Yes	1948
General State Scholarships				March		x		No	$1500	Yes	No	$100 increm.	CSS	Residency, passing score on SAT financial need	No	Yes	No	1970
MASSACHUSETTS																		
General Scholarships			x	Freshmen: 4/15 Upperclass: 7/1		x		No	$900	Yes	No	None	No	Residency and need	Yes	Yes	No	1958-59
MICHIGAN																		
Competitive Scholarship Program		x		April 15		x		Yes	$800	Yes	Yes	None	CSS	Finan. need, state scholarship exam, rank-in-class, Mich. resid., good moral character	No	No	No	1964
Tuition Grant Program		x		April 15		x		No	$800	No	Yes	None	CSS	Finan. need, Mich. resid., good moral charact., private coll. only	No	No	Yes	1966
MINNESOTA																		
State Scholarship Program	x			May		x		Yes	$1000	Yes	No	$25 increm.	CSS	Academic potential, Minn. resid., U.S. citiz., finan. need	No	No	Yes	1968
Grant-in-aid Program	x			May		x		No	$1000	Yes	No	$25 increm.	CSS	Finan. need, Minn. resid., U.S. citiz., h.s. grad or equivalent	No	No	No	1969
NEW JERSEY																		
State Scholarship Program	x & x			April 1			x	No	$500	No	Yes	None	½ coll. cost budg. $300 summer	N.J. resid., finan. need, acad. pot., not out of h.s. over 5 yrs.	Yes	No	Yes	1960-61
Educational Incentive Grants	x & x			May 30			x	No	$500	No	Yes	$35-500	Same as Schol. Prog.	Same as Schol.Prog. & can get award in both programs; must attend N.J. coll.or univ. with $500+tuit. & fees	Yes	No	Yes	1966-67
Tuition Aid Grants	x & x			No deadline; rolling announcement			x	No	$1000	Yes	Yes	No incr.-$200 minimum	No	N.J. resid., for priv.N.J.coll. only, income criteria	Yes	No	Yes	1969-70
County College Graduate Scholarships	x & x			No deadline; rolling announcement		x		No	$500	No	No	No incr.	$500 income	Finan. need, N. J. resid., grad of N.J. public 2-year college	Yes	No	NA	1969-70
Educational Opportunity Fund			x	Varies at participating institutions	Varies at participating institutions			No	$1000	No	No	$750 for non-res. studs.at pub.schls.	No	N.J.resid., gross fam.inc.$10,000 or less with par.contrib.$625 or less. Demonstrable academic potential	Yes	No	Yes	1968-69
NEW YORK																		
Regents Scholarships		x		December			x	No	$1000	No	Yes	Super $10 over $1800 net tax. income	No	N.Y.resid., U.S.citiz., scholarship exam score, county alloc. of awards	Yes	No	Yes	1913
Scholar Incentive Awards		x		6 weeks after app. received			x	No	$600	No	Yes	$100, $200 $300, $600	No	N.Y.resid., U.S. citiz.	Yes	No	Yes	1961

MISCELLANEOUS SURVEY FINDINGS, Page 3

	Administr. By: Gov. App.	St.Dept.Ed.	Bd.Higher Ed	Date Awards Announced	Need Anal. System: ACT	CSS	Own	Honorary?	Maximum Award Value	Limit of 8 sem./12 quart.?	Limited to Tuit.&Fees?	Dollar Increments Below Maximum	Standard Self-help Expect.?	Eligibility Requirements	Perm.res. w.alien no.?	Part-time Eligible?	Mid-year Transferable?	Year Awards Started
OHIO																		
Instructional Grants Program			x	Feb,Apr,June Aug,Oct,Dec			x	No	$1200: priv. $510 pub.	No	Yes	$150 & $60	No	Ohio resid., for assoc. or baccalaureate degree, not for religious degree or profession	Yes	No	Yes	1970-71
OREGON																		
Need/Grant Program	x			June 15		x		No	$500	Yes	No	No	CSS	Oregon resid., h.s.grad or equivalent, greatest need awarded first	No	No	Yes	1971-72
Cash Award Program	x			June 15		x		No	$500	Yes	No	$100 increm.	CSS	Finan.need, high academ.performance meas. by grad pt. average, ACT, std. achievement tests	No	No	Yes	1961-62
PENNSYLVANIA																		
State Scholarships	Publ.Corp. Bd.of Dir.			NA		NA		Yes	NA	No	Yes	No	No	H.s.grad., Pa.resid., U.S.citiz., at least 2-yr. prog., finan. need	No	No	Yes	1965-66
RHODE ISLAND																		
State Scholarships		x		May new awards June renewals & in-college		x		Yes	$1000	Yes	No	$250 minimum	No	R.I.resid., SAT, rank-in-class, financial need	No	No	No	1961
TENNESSEE																		
Tuition Grant Program	x			Aug. in 1972	x & x			No	$1000	Yes	Yes	According to need down to $100	$400	Tenn. h.s. grad, Tenn.resid., good moral charact., for credit toward a degree, financial need	NA	Yes	Yes	1972
TEXAS																		
Tuition Equalization Grants			x	No deadline; awards made by institutions, apps processed by state, various need anal. systems used				No	$600	Fresh/ sophs only	Tuit. only	No-need to maximum	No	Finan.need, Texas resid., cannot be varsity athlete, priv.colleges only	Yes	No	Yes	1971-72
VERMONT																		
Incentive Grant Program	x	&	x	May 1-15	x & x			No	$1200	No	No	No	No	Financial need	Yes	No	Yes	1965-6.
WASHINGTON																		
Need Grant Program	x			June 15 & Sept. 1		x		No	No max. special formula	Yes	No	No max.	CSS	Wash. resid., U.S.citiz., accredited by NW Assoc.Sec.&Higher Schls or at 5 public voc-tech.instits.in Wash.	Yes	No	Yes	1970-71
Tuition Supplement Program	x			Sept. 15				No	$100	NA	Yes	No	No	Accred. indep/priv.instit.in Wash. only, but not for theo.. degree	Yes	No	No	1971-72
WEST VIRGINIA																		
Scholarship Program			x	April		x		Yes	$900	Yes	Yes	No	CSS	Finan.need, W.Va.resid., U.S.citiz., academ.poten., private instit. only	No	No	Yes	1968
WISCONSIN																		
Tuition Grant Program	x			No deadline			x	No	$900	Yes	Yes	$100 increm.	NA	At instit.with tuition more than UW-Madison, Wisc. resid., finan. need	Yes	No	Yes	1965
Talent Incentive Program	x			No deadline			x	No	$1000	Yes	No	$5 increm.	CSS	Wisc. resid., disadvantaged students	Yes	Yes	Yes	1972-73
Honor Scholarship Program	x			April 15, June 1		x		Yes	$900	No fresh. only	No	$5 increm.	CSS	Wisc. resid., top 10% graduating h.s. class	Yes	No	Yes	1965

COMPREHENSIVE PROGRAMS FOR NONPUBLIC COLLEGE STUDENTS ONLY

1972 - 1973

Iowa	Tuition Grant Program	$ 4,000,000
Kansas	Tuition Grants	1,000,000
Michigan	Tuition Grant Program	5,200,000
New Jersey	Tuition Aid Grants	3,570,000
Texas	Tuition Equalization Grant Program	3,000,000
Washington	Tuition Supplement Grant Program	854,545
Wisconsin	Tuition Grant Program	2,466,000
		$20,090,545

(6.2% of all comprehensive programs)

COMPREHENSIVE PROGRAMS HAVING GRANT (NON-COMPETITIVE) AWARDS

1972 - 1973

Connecticut	College Continuation Grants	$ 190,000
	Restricted Educ. Achievement Grants	228,000
Florida	Student Assistance Grants	360,000
Illinois	Monetary Award Program	51,400,000
Indiana	Educational Grants Program	750,000
Iowa	Tuition Grant Program	4,000,000
Kansas	Tuition Grant Program	1,000,000
Massachusetts	General Scholarships	8,000,000
Michigan	Tuition Grant Program	5,660,000
Minnesota	Grant-in-Aid Program	2,200,000
New Jersey	Tuition Aid Grants	3,570,000
	County College Grad. Scholarships	313,000
	Educational Opportunity Fund	12,200,000
New York	Scholar Incentive Awards	47,900,000
Ohio	Instructional Grants Program	16,000,000
Oregon	Need Grant Program	930,000
Pennsylvania	State Scholarship Program	60,458,000
Tennessee	Tuition Grant Program	1,200,000
Texas	Tuition Equalization Grants	3,000,000
Vermont	Incentive Grant Program	2,505,000
Washington	Tuition Supplement Grant Program	854,545
	Need Grant Program	826,020
Wisconsin	Tuition Grant Program	3,400,000
	Talent Incentive Program	485,000
		$227,429,565

(70.0% of all comprehensive programs)

SIGNIFICANT CHANGES IN PROGRAM/OPERATIONS IN OFFICES/AGENCIES ADMINISTERING COMPREHENSIVE PROGRAMS

CALIFORNIA

Legislation increased number of State Scholarship awards from 3% to 3 1/2% of high school graduates, effective 1973-74.

Legislation increased maximum State Scholarship award value from $2000 to $2200, effective 1973-74.

New awards in the College Opportunity Grant Program increased from 1,000 to 2,000, effective 1972-73.

FLORIDA

Regents Scholarship Program is being phased out; last freshman awards were made to 1970 high school graduates.

Student Assistance Grants Program is new, effective 1972-73.

ILLINOIS

Assisting of students at hospital schools of nursing and hospital allied hea[illegible] programs is effective 1972-73.

Effective 1972-73, the definition of full time enrollment is 12 hours of credit for regular terms and 6 hours for summer sessions.

IOWA

Maximum monetary award in Scholarship Program decreased from $800 to $610 for 1972-73 academic year due to funding restrictions and the increased tuitions at the state universities.

KANSAS

New Tuition Grant Program, effective 1972-73 academic year, funded in the amount of $1,000,000, for students attending nonpublic colleges.

MARYLAND

General State Scholarship Program to be fully phased in in 1973-74 at maximum annual rate of $1,026,000.

MICHIGAN

Tuition Grant Program applicants no longer required to participate in State Scholarship examinations.

OHIO

Transfer of functions (receipt of applications, determination of eligibility, and designation of award winners) from the institutions to the Student Assistance Office of the Ohio Board of Regents, effective 1972-73 academic year.

PENNSYLVANIA

Need will be adjusted (effective award year 1972-73) to provide more liberal access to large families at upper income levels to those families with more than one student enrolled.

TEXAS

The Tuition Equalization Grants Program has been extended to include sophomores.

WASHINGTON

Effective 1972-73 award year, applications for Need Grant Program through institutions rather than directly to Council by student. Expansion of program to independent students and sophomores with provision of one class per year expansion to all undergraduates by 1974-75.

WISCONSIN

1972-73 is the first year for honorary (no monetary) awards. Previously all students received at least $100 regardless of need.

Maximum grant in Tuition Grant Program increased from $650 to $900 beginning with freshmen in 1972-73.

New Talent Incentive Program is Wisconsin's equivalent to federal EOG program. To insure that awards are concentrated on non-traditional students, applications are solicited from students by the Agency's Talent Search Program.

MAXIMUM NUMBER (BY TYPE) OF INSTITUTIONS
WHERE COMPREHENSIVE PROGRAMS FOR A GIVEN STATE ARE APPLICABLE

1972-73 Academic Year

TYPE INSTITUTION

State	Public 4-Year	Private 4-Year	Public 2-Year	Private 2-Year	Tech. Spec.	Hospital Schls.of Nursing
California	29	65	92	5	3	0
*Connecticut	5	13	12	3	7	7
Florida**	9***	21	27	0	0	0
Illinois	10	58	38	8	0	30
Indiana	20	34	0	0	1	0
Iowa	3	26	15	6	0	16
Kansas	7	17	20	4	1	0
Maryland	11	19	16	2	0	0
*Massachusetts	15	56	16	23	0	0
Michigan	15	31	29	5	8	0
Minnesota	10	20	18	4	33	46
*New Jersey	14	21	16	6	0	19
New York	37	96	44	20	26	70
Ohio	12	51	23	2	****	0
Oregon	6	13	13	0	1	2
*Pennsylvania	18	74	14	14	0	93
*Rhode Island	UNRESTRICTED			SEE	BELOW	
Tennessee	11	29	9	6	3	0
Texas	35	0	9	0	0	0
*Vermont	4	10	1	4	1	3
Washington	6	11	26	0	5	0
West Virginia	10	8	5	2	0	0
Wisconsin	13	25	14	0	16	9

*Awards also available at out-of-state institutions
**Figures do not include 7 in - state religious institutions
***Includes 4 upper division state universities
****Figures for technical/specialized schools included in public 2-year

Rhode Island awards may be used at a qualified institution of higher learning located in the U. S. or Canada which provides an organized course in instruction of at least 2 years at the collegiate level which is either oper[illegible] by this state (Rhode Island) or is operated publicly or privately, no[illegible] profit, and which holds regional and/or national accreditation or is a[illegible]d by the state in which it is located.

CATEGORICAL PROGRAMS REPORTED BY STATES WITH COMPREHENSIVE PROGRAMS

1972 - 1973

CALIFORNIA

Graduate Fellowship Program
Occupational Training Grants
Grants to medical schools in independent colleges, effective 1972-73
Capitation grants to California medical schools for graduates of Mexican medical schools

CONNECTICUT

State Work-study Program
Awards to children of deceased or disabled veterans

ILLINOIS

Scholarships for dependents of Viet Nam prisoners and men missing in action, effective September, 1972

Matching grants to a maximum total of $150,000 for all qualifying for volunteer scholarship programs established by student organizations at state supported senior colleges and universities, effective September, 1972

Language grants of $200,000 total to uncertified teachers who are bi-lingual and who wish to become certified and to students wishing to attend college who do not speak English as a primary language, effective September, 1972

MARYLAND

House of Delegates Scholarships
Medical Scholarships
Education of children of deceased or disabled veterans
Professional scholarships
Program for children of volunteer firemen killed in line of duty
Program for teachers of the deaf

MASSACHUSETTS

Scholarships for children of fire and police officers killed in line of duty
Medical, Dental, Nursing Awards
Special Education Scholarships
Honor Scholarships

OREGON

Community College Awards

RHODE ISLAND

Nursing Education Teachers' Scholarships
Business Education Teachers' Scholarships
War Orphans' Scholarships

WISCONSIN

Indian Student Assistance
Tuition Reimbursement Program
Educational Manpower Grants

United States Senate

COMMITTEE ON
LABOR AND PUBLIC WELFARE
WASHINGTON, D.C. 20510

March 5, 1973

The Honorable Claiborne Pell
Chairman
Subcommittee on Education
Committee on Labor & Public Welfare
United States Senate
Washington, D.C. 20510

Dear Claiborne:

The University of California has prepared a memorandum regarding implementation of the Basic Opportunity Grants program. I commend it to your attention and, if at all possible, would appreciate having it inserted into the record of the February 22nd hearing.

With best regards,

Sincerely,

Alan Cranston

Enclosure

FEDERAL STUDENT ASSISTANCE: A POTENTIAL CRISIS FOR 1973-74

I. Background

President Nixon outlined new directions for federal student assistance in the budget he recently submitted to Congress. The President's proposal would distribute the bulk of federal student aid through two programs: Basic Opportunity Grants (BOG) and federally insured student loans.

The BOG program, introduced into legislation in the 1972 Amendments to the Higher Education Act, provides up to $1,400 per year for a student's education, minus the amount he or his family is deemed able to contribute. In no case can BOG funds cover more than 50% of the total cost. Assuming sufficient funding by Congress, BOG potentially insures that all qualified students will be able to attend college.

The two-program proposal -- BOG and federally insured student loans -- constitutes a constructive proposal for dealing with the problems of student aid and of providing expanded opportunity for higher education.

This year however, because of the late date of the President's proposal and the implementation procedures still remaining for BOG to become functional, a potential crisis in student aid appears at hand. Those most affected by the crisis would be the very people whom BOG is designed to benefit -- middle and low-income students, those groups of individuals most dependent on federal assistance to begin or continue their post-secondary education.

Colleges and universities try to notify new and returning students by April of the financial aid they can expect for the fall term in September. This allows the student and his family the summer to plan realistically for needs in the forthcoming academic year.

This year, as things now stand, the first term in 1973-74 may be nearing its close before students can be told what federal assistance, if any, they will receive. The consequent hardship and inconvenience -- to students, their families, and the institutions they attend -- is obvious.

The issue of the moment is not the BOG concept; rather, it is the time required for implementing it. This is a one-time, not a continuing, problem. It can be avoided if the White House, the Congress, and higher education will work together on a solution. But time is running out.

II. Dimensions of the Problem

The complex character of the BOG program is such that, even should Congress give it immediate approval, it would be difficult to have checks in the hands of needy students before November (and many observers place the time well beyond that, pointing to the experience of the Veterans Administration in implementing funding for the GI Education benefits in 1945-46 and 1951-52).

A brief review of the essential steps in BOG still to be taken reflect the dimensions of the problem.

TARGET DATE: Mid-September 1973 - time when the majority of students will be entering or returning to school and will need to know, and hopefully have in hand, their 1973-74 grant awards.

Between now -- mid-February -- and the target date, the following steps must be taken to effectively implement the BOG program.

a. Congress has to approve the program funding.

b. An agency has to be designated to administer it.

c. BOG application forms and financial guidelines have to be prepared.

d. These forms have to be distributed nationally to all high school seniors and all college, university, and proprietary institution students.

e. Students, and their counsellors, have to understand the details of the new program, how it differs from the old, and what is required for eligibility and participation in it.

f. Students have to assemble documentary evidence of all income and assets received or held by their families; students claiming financial independence from their parents will have to provide satisfactory proof of such independence.

g. BOG application has to be returned for agency process and review to determine individual eligibility and level of BOG support.

h. Aggregate sum of all BOG awards then has to be made to arrive at the total program cost, assuming full funding will be available which, almost certainly, it will not.*

i. When the necessary reduction level is determined -- to bring BOG awards into phase with funds appropriated -- each award will have to be reprocessed, using the reduction ratio already developed, to determine the _actual_ award.

j. Agency has to notify individual students of their BOG award.

k. Checks have to be mailed.

History suggests that even established federal programs require a six-to-eight month period from date of application until date of check disbursement.

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*A Brookings Institute study, conducted last year, indicates a level almost double the President's budget request would be necessary for full funding of BOG in 1973-74.

A new program, and especially one requiring the numerous implementation steps of BOG, would seem to require a longer period; at least eight months and, more likely, one year.

Even if Congress were to enact BOG in March, it would be almost impossible for students to receive their checks before November, while it is not at all unlikely that students will still be awaiting their BOG awards in January or later.

III. A Proposed Solution

If the implementation of BOG proves as time consuming as now appears likely -- and if the present federal student assistance programs are allowed to expire at the end of Fiscal Year 1973 -- then the result will be personal hardship for students and campus administrative chaos. Such a combination might well sour many people in both government and higher education on the very concept of BOG.

Consequently, the following action is recommended:

a. Fund the Supplementary Opportunity Grant Program, the Work Study Program, and the Student Loan Program at the levels required by Section 411(b)4 of the Higher Education Act of 1965 (as amended). This will permit an orderly transition from the old to the new programs. Institutions will know how much assistance will be available for Fall 1973 in time to advise students of the amounts of their individual student aid awards. Students and parents will thus ~~have the opportunity to plan their affairs so that~~ college costs not covered ~~by assistance can be met satisfactorily~~ prior to the commencement of the academic year.

b. Implement the Basic Opportunity Grant program commencing with the Winter Quarter or second semester of the 1973-1974 academic year at the approximately $300 million level. This will avert the mass confusion certain to occur if the Fall 1973 target date for BOG's is retained. It will also give students and parents an opportunity to plan their affairs so that college costs, not covered by a BOG award can be met satisfactorily. Institutions will be able to effect a smooth transition from present policies to new ones. And, finally, the Administration and Congress will have given the BOG approach a proper chance to prove itself.

c. If it is the desire to stay within the President's funding proposal of $877 million for these programs, then one or a combination of the four programs would have to be reduced.

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Council For American Private Education
1601 Belle Haven Road Alexandria Virginia 22307 Tel (703) 768-3349

March 7, 1973

Honorable Claiborne Pell
United States Senate
Washington, D. C. 20510

Dear Senator Pell:

Re: Proposed Rule Making. Basic Educational Opportunity Grants Program published in the Federal Register February 2, 1973.

In determining the family contribution regulations provide 190.36 (b) "the above formula shall be further adjusted...to take into consideration the number of family members who will be in attendance in programs of postsecondary education during the academic year for which basic grant assistance is requested."

In the House version of the Higher Education Act which had included only the Supplementary Educational Opportunity Grant an amendment was added which took in consideration all educational expenses not only postsecondary. This amendment submitted by Congressman Scheuer of New York prevailed in the final version of this Bill as adopted by both houses of Congress.

The Basic Opportunity Grant was contained in the Senate Bill. When the House passed the Higher Education Bill and adopted the Scheuer amendment there was never an opportunity for the Senate to add a similar amendment to the Basic Opportunity Grant. Attempts to have the Scheuer amendment adopted in the Conference were ruled inadmissable by the Parliamentarian, so we are told. However, since the Senate adopted the House version of the Supplementary Educational Grants, it must be assumed that it was the intention of Congress to take all educational expenses into consideration when establishing the expected family contribution for dependent students. We, therefore, urge that the Senate recommend to the Office of Education, that in their final version of these rules, all educational expenses to be taken into consideration.

Thank you.

Respectful yours,

Richard P. Thomson
Executive Secretary

United States Senate

COMMITTEE ON
AGRICULTURE AND FORESTRY
WASHINGTON, D.C. 20510

March 5, 1973

Honorable Claiborne Pell, Chairman
Subcommittee on Education of the
Senate Labor and Public Welfare Committee
Washington, D. C.

Dear Senator Pell:

It is my understanding that the U. S. Office of Education recently presented to the Education Subcommittee their proposed family contribution schedule for the new Basic Opportunity Grants.

Of grave concern to both educators and farm families in North Dakota is the failure of the Office of Education to make any distinction between liquid and nonliquid assets. This could result in the children of small family farmers and small businessmen in North Dakota being either ineligible for these grants or eligible for only a small portion of the authorized $1400 maximum grant. In most cases, if not in all cases, nonliquid assets are needed for the small farmer or small businessman in the conduct of his farming or business operations. They really are not available for any other purpose.

As you know, small businessmen and family farmers are having a very difficult time making ends meet. While it is true that most farm prices are quite good at the present time, farm operating costs are also rising at an alarming rate. This leaves available for purposes such as higher education a very small amount of the family's budget. If nonliquid assets used in farming or in the conduct of a small business must be considered in connection with Basic Opportunity Grants, it would mean that the children of these families would be precluded from obtaining these funds which are so essential to their pursuing their educational goals because their families simply could not in this current period of inflation totally provide for their education.

I sincerely hope that when the final family contribution schedule is written it will recognize a distinction between these two types of assets.

With warm personal regards,

Sincerely,

MILTON R. YOUNG

MRY:sv

Senator PELL. The subcommittee stands adjourned subject to the call of the Chair.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

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